

Leg. Finance - Finance Comte Files (1971-72) 8879

SB 357 cont., 361, 364

6. The implementation of this agreement is subject to legislative appropriation.

dated January 8, 1972,

7. The Memorandum of Understanding is hereby declared null and void.

Dated at Anchorage, Alaska this 11th day of March, 1972.

UNIVERSITY OF ALASKA

Attest:

By: William A. O'Hara  
President, Board of Regents

Robert E. McFarland Vice President  
Secretary, Board of Regents Pro Tem

ALASKA METHODIST UNIVERSITY

Attest:

By: Ar. Wischmeier  
Chairman, Board of Trustees

Max J. McGaughey  
Secretary, Board of Trustees

# STATE OF ALASKA

## THE LEGISLATURE

BUDGET AND AUDIT COMMITTEE

AUDIT DIVISION  
POUCH W — ALASKA OFFICE BUILDING

FINANCE DIVISION  
POUCH WF — STATE CAPITOL

JUNEAU 99801

### MEMORANDUM

TO: Legislative Finance Committees      DATE: March 24, 1972  
FROM: Rich Guthrie      SUBJ: AMU Land Sale,  
Fiscal Analyst *RG*      Tuition Equalization

The attached materials have been developed by AMU at the request of the House and Senate Finance Committees. The information is as follows:

1. Cash Flow Projections, 1971-72.
2. Major Budget Revisions, November 1970 through February 1972.
3. Proposed Utilization of Land Sale Proceeds, March 1972 through August 1972.
4. Proposed Budget, 1972-73.
5. AMU Statements of Position: Land Sale, Tuition Grants.

Attachments  
RG/ds

ALASKA METHODIST UNIVERSITY  
CASH FLOW PROJECTION ----- 1971 - 1972 BUDGET YEAR  
CURRENT OPERATIONS, AUXILIARY ENTERPRISES & REPAYMENTS

REVISED March 21, 1972 <sup>(1)</sup>

	Actuals:					BUDGETED	
	July - February	March	April	May	June	Current Estimate Operations	Repayments & Combined Operations & Auxiliary
<b>ACTUAL/ANTICIPATED</b>	<u>February</u>	<u>March</u>	<u>April</u>	<u>May</u>	<u>June</u>	<u>1971-72</u>	<u>1971-72</u>
<b>BUDGETED EXPENDITURES:</b>							
Salaries	836,935	120,000	120,000	120,000	134,685	1,248,930	1,331,620
Building Bond Interest	-	45,000	-	-	-	-	45,000
Monthly Expenditures	<u>655,110</u>	<u>100,000</u>	<u>95,000</u>	<u>95,000</u>	<u>122,150</u>	<u>684,550</u>	<u>1,067,260</u>
	1,492,045	265,000	215,000	215,000	256,835	1,933,480	2,443,880
Loan Repayments	360,000	283,000	-	-	100,000	-	743,000
Accounts Payable & Contracts	<u>400,000</u>	<u>242,000</u>	-	-	-	-	642,000
TOTAL EXPENDITURES	<u>2,252,045</u>	<u>790,000</u>	<u>215,000</u>	<u>215,000</u>	<u>356,835</u>	<u>1,933,480</u>	<u>3,828,880</u>
<b>BUDGETED INCOME:</b>							
Sale of Residence	45,000	-	-	-	-	45,000	45,000
Released Library Funds	518,000	-	-	-	-	108,000	518,000
Library Transfer	350,000	-	-	-	-	-	350,000
Tuition	508,000	27,000	27,000	27,000	44,500	633,500	612,000
Auxiliary Income	375,000	40,000	40,000	40,000	46,000	30,600	541,000
Indirect Costs	105,400	8,000	8,000	8,000	9,600	139,000	139,000
Title III	30,775	7,000	7,000	7,000	8,225	60,000	60,000
Miscellaneous	99,513	12,000	12,000	12,000	2,087	137,600	112,600
Advance Specials - Church	46,353	7,000	7,000	7,000	7,647	75,000	75,000
Donations for Operations-Alaska	100,876	12,000	12,000	19,124	6,000	150,000	200,000
Nationwide	139,984	27,000	27,000	27,000	29,016	250,000	451,280
Southeast	-	-	-	-	-	-	100,000
Sale of Land to U of A	-	975,000	-	-	-	350,000	975,000
TOTAL INCOME	<u>2,318,901</u>	<u>1,115,000</u>	<u>140,000</u>	<u>147,124</u>	<u>153,075</u>	<u>1,978,700</u>	<u>4,178,880</u>
MONTHLY GAIN (LOSS)	66,856	325,000	(75,000)	(67,867)	(203,760)	-	-
	<u>-</u>	<u>66,856</u>	<u>391,856</u>	<u>316,856</u>	<u>248,980</u>	<u>-</u>	<u>-</u>
CUMULATIVE CASH FLOW	<u>66,856</u>	<u>391,856</u>	<u>316,856</u>	<u>248,980</u>	<u>45,220</u>	<u>45,220</u>	<u>350,000</u>

(1) Relatively fixed cost items - (loan repay debt service); Auxiliary - nearly self supporting (food service, housing)

ALASKA METHODIST UNIVERSITY  
 MAJOR BUDGET REVISIONS  
 NOVEMBER 1970 THROUGH FEBRUARY 1972  
 CURRENT OPERATING AND AUXILIARY BUDGETS

March 10, 1972  
 AMU/MGM

	Income	Expense	Balance
November 1970 Recommendation	3,046,100	2,520,235	525,865
Adjustments made for February 1971 recommendation			
Office of executive vice president established		34,200	
Expansion of the development program		50,000	
Net amount of other increases and decreases		45,633	
Full-time audio visual reduced to 1/2 time		(3,900)	
Instructional equipment budget reduced		(25,050)	
Four desired faculty positions eliminated		(47,500)	
College of Nursing eliminated unless additional outside funds become available		(97,600)	
[Restricted funds later became available and the total program was transferred to the Restricted Budget (\$169,800)]			
Athletic program reduced		(15,000)	
Library salaries and student help reduced		(4,200)	
Contingency for instructional program development		(96,168)	
Auxiliary expenses reduced (1 maintenance man and miscellaneous equipment)		(15,700)	
Subtotal of Budget Revisions Prior to February	-0-	(175,285)	175,285
Budget as approved February, 1971	3,046,100	2,344,950	701,150
Adjustments before budget adoption in May, 1971:			
Tuition increased	50,000		
Title III included to fund 4 teaching and several qualifying positions	60,000		
Donations Reduced	(570,000)		
Desired administrative support salaries eliminated, and miscellaneous		(33,670)	
Student recruitment - 1 desired position not funded, and miscellaneous		(16,800)	
Staff benefits reduced - due to non-funding of desired position		(14,800)	
Public Relations - 1/2 position not funded and miscellaneous		(6,115)	
Development program expansion reduced		(16,000)	
Instructional equipment reduced		(26,450)	
Faculty positions not funded		(84,470)	
Faculty professional meetings travel eliminated		(18,625)	
Balance of College of Nursing transferred to restricted budget		(72,200)	
Moving expenses due to non-funding of positions		(3,500)	
Commencement exercised reduced		(3,000)	
Audio visual equipment reduced		(5,100)	
Visiting lecturers, films, chorale & misc.		(7,800)	
Athletic program reduced		(10,000)	
Library Bindings & student help		(7,000)	
One desired maintenance position not funded		(8,000)	
Debt service increased		34,620	
Auxiliary loss increased		2,000	
Net amount of other minor increases & decreases		(15,980)	
Subtotal of Budget Revisions before Adoption	(461,500)	(312,070)	(149,430)
Budget as Approved May, 1971	\$2,584,600	2,032,880	551,720

	Income	Expense	Balance
Budget as Approved May, 1971	\$2,584,600	2,032,880	551,720
Revisions made in September 1971:			
Tuition Equalization was not Funded	(550,000)		
Indirect Cost Recovery increased due to increased programs	94,000		
Add Sale of President's Residence and Net Library Transaction	153,000		
Reduce Nationwide Campaign	(16,000)		
Eliminated Funding for Unfilled Faculty Positions		(30,000)	
Requested Bond Repayment be made from Sinking Fund		(100,000)	
Subtotal of Revisions	(319,000)	(130,000)	(189,000)
Budget as Revised September, 1971	2,265,600	1,902,880	362,720
Revisions Made in February, 1972:			
Indirect Costs Recovery increased	20,000		
Nationwide Donation Reduced	(382,720)		
Transfer Net Auxiliary Earnings to Operations	30,600	30,600	
Subtotal February, 1972 Revisions	(332,120)	30,600	(362,720)
CURRENT BUDGET-AS REVISED	1,933,480	1,933,480	-0-

RECAP

November 1970 Budgets	3,046,100	2,520,235	525,865
Current Budget -- As Revised	1,933,480	1,933,480	-0-
Total Cumulative Revisions	<u>1,112,620</u>	<u>586,755</u>	<u>525,865</u>
Total Cumulative Reductions		586,755	
Nursing Budget Transferred to Restricted Budget		169,800	
Auxiliary Reduction Due to Sinking Fund Transfer		83,100	
Net Reductions to Operating Fund		<u>333,855</u>	

UTILIZATION OF LAND SALE PROCEEDS  
March 1, 1972 thru August 31, 1972

First Half Land Sale Proceeds, First Payment March 20, 1972		\$975,000
Amount Needed to Complete Current Budget Year (Expenditures less Income) Through June 30, 1972		<u>(350,000)</u>
Available to Retire Outstanding Obligations		625,000
Replenish Sinking Fund	\$142,000	
Contracts & Miscellaneous	\$100,000	
Reduce Bank Loans	<u>\$383,000</u>	<u>(625,000)</u>
		-0-
Remaining Half Land Sale Proceeds, Second Payment July 1, 1972		975,000
Amount Needed for Current Operating during July and August 1972 (Expenditures less Income)		<u>(350,000)</u>
Retire Remaining Balance Due on Bank Loan		<u>(190,000)</u>
Balance Available to Begin Fall Semester, 1972		<u>\$435,000</u>

ALASKA METHODIST UNIVERSITY  
INSTRUCTIONAL OPERATIONS & AUXILIARY ENTERPRISES  
PROPOSED BUDGET  
1972-73

Current Instructional Operations:

REVENUES:

Tuition --	1/		
Full Time (520 x \$2250)		\$1,170,000	2/ 3/
Part Time, Extension & Public Service		90,000	
Summer School		80,000	
Fees and Miscellaneous Income		31,100	
Alaska Review, Athletics, Drama		20,000	
Indirect Cost Reimbursement & Administration		73,000	
Title III		<u>60,000</u>	
Sub-Total		1,524,100	
Donations --			
Advance Specials (Church Donations)		200,000	
Alaska Donations		100,000	
Nationwide Campaign		<u>300,000</u>	
Sub-Total		<u>600,000</u>	
TOTAL INCOME FOR INSTRUCTIONAL OPERATIONS		2,124,100	4/ 5/
AUXILIARY ENTERPRISES:			
Income	601,000		
Less:			
Auxiliary Expenditures	(537,400)		
Debt Service & Bldg Bonds	<u>(133,000)</u>		
Auxiliary Deficit		<u>(69,400)</u>	
NET INCOME: INSTRUCTIONAL & AUXILIARY		2,054,700	
BUDGETED INSTRUCTIONAL EXPENDITURES		<u>(1,953,480)</u>	
CONTINGENT BALANCE		<u>\$ 121,220</u>	

- 1/ See attached Document #72-021 for details and basis (#3b.(1)A.)  
2/ See attached Document #72-020 for 1971-72 tuition estimates (#3b.(1)A.)  
3/ Any tuition scholarships in 1972-73 will be funded by donations not included in the \$600,000 scheduled below: There are no unfunded tuition scholarships included in this estimate.  
4/ The answer to question #3b.(1)B. is attached as a separate schedule.  
5/ AMU has restricted income and expenditures in addition to the amounts shown in this schedule. These amounts are primarily subject to State and Federal appropriations and budget approval and the amounts for 1972-73 are unknown at this time. A green copy of the 1971-72 budget is attached to identify the various types of programs and amounts involved. It is anticipated that 1972-73 funding for restricted programs will increase.

Doc. # 72-021

BASIS FOR BUDGET COMPUTATION  
FULL-TIME STUDENT PROJECTIONS  
1972-73

Full Time Students 1971-72: Fall Actuals	423
(340 One-Year Residents: 83 Non-Residents)	
Projected Increase of New Students: 15 Percent	63
Reduce Attrition Rate to Two-Thirds of Current Rate:	

	<u>Freshman</u>	<u>Sophomore</u>	<u>Junior</u>	<u>Senior &amp; Graduate</u>	
Current Enrollment (423)	143	115	86	79	
Current Attrition Rates per Higher Education Study	<u>68%</u>	<u>7%</u>	<u>7%</u>	<u>2%</u>	
Attrition at Current Rate	97	8	6	2	
Retain 1/3 of these Students	<u>32</u>	<u>3</u>	<u>2</u>	<u>1</u>	<u>38</u>
Projected Full Time Students 1972-73					524
Reduce for Conservatism					<u>4</u>
Basis for Budget Computations 1972-73 (450 One Year Residents and 70 Non-Residents)					<u>520</u>

TUITION ESTIMATES  
1971-72

	<u>On Campus Full-Time &amp; Part-Time</u>	<u>Extension &amp; Public Service</u>	<u>Summer School</u>	<u>Tuition Total</u>
Full-Time Students 423 Students x \$1500	\$634,500			\$634,500
Extension & Part Time Students:				
Fall Semester	517			
Spring Semester	<u>517</u>			
Total Courses	1,034			
Average Cost	<u>x 87</u>			
	\$90,000			
Approximate Allocation	30,000	60,000		90,000
Summer School - Based Upon 1971 Actuals			89,000	89,000
	<hr/>	<hr/>	<hr/>	<hr/>
Less Tuition Scholarships	664,500	60,000	89,000	813,500
	<u>110,000</u>	<u>-0-</u>	<u>10,000</u>	<u>120,000</u>
Anticipated Tuition 1971-72	<u>554,500</u>	<u>60,000</u>	<u>79,000</u>	<u>693,500</u>
	<hr/>	<hr/>	<hr/>	<hr/>
Budget 1971-72	<u>550,000</u>	<u>50,000</u>	<u>62,000</u>	<u>662,000</u>
Anticipated Tuition Over Budget	<u>4,500</u>	<u>10,000</u>	<u>17,000</u>	<u>31,500</u>

ESTIMATES  
SCHOLARSHIP LOANS AND TUITION GRANTS  
1972-73

Question: 3b(1)B

Tuition:

Full-Time One Year Residents	
450 Students @ \$1400 - State Grant-in-Aid <sup>(1)</sup>	\$630,000
450 Students @ \$850 - Balance from Students	382,500
Full-Time Non-Residents	
70 Students @ \$2250	157,500
Total Tuition Anticipated From Full-Time Students	<u>\$1,170,000</u>

316, or 61%, of the 517 part-time students enrolled for the fall semester certified that they are residents (for at least 12 months) of Alaska. The Registrar projects no increase in this number for the next year.

Therefore, it is estimated that the following amount would be needed to fund part-time students under the tuition grant program:

Number of Part-time Alaskan resident students	316
Average amount of assistance (1/2 of grant)	\$700
Total funds needed	<u>\$221,200</u>

Therefore:

Total funds needed to fund Tuition Grant Program:

Tuition Grants:

450 Full-Time Students @ \$1400 each	\$630,000
316 Part-Time Students @ \$700 each	<u>221,200</u>
Total needed for Tuition Grants for Students	
Attending AMU during the 1972-73	
Academic Year	<u>\$851,200</u>

The scholarship loans (Sec. 14.40.751) are made directly to students upon certification to the State of Alaska by the institution that the student is enrolled for at least twelve semester hours of credit during the semester. The loans are paid directly to the students and not to the institution. The Statewide average amount per loans made in 1971-72 was approximately \$1,400. The 83 loans made during 1971-72 to students attending AMU was also \$1,400.

It is estimated that the amount needed from the scholarship loan program for students attending AMU is as follows:

Full-Time Alaskan Residents	450
Percent Applying for Loans	<u>33 1/3</u>
Number of Student Loans	150
Amount of Average Loan (Balance of tuition)	850
Total Loan Funds Needed	<u>127,500</u>

(1) See Addendum (Attached)

3b. (1)B.

CROSS REGISTRATION  
PRELIMINARY ESTIMATES  
1971-72

	<u>No. of Students</u>	<u>Amounts</u>
U/A Students at AMU Fall	39	\$ 966.94
U/A Students at AMU Spring Preliminary	100	2,416.50
Total U/A Students Attending AMU	<u>139</u>	<u>3,383.44 *</u>
*The U/A pays AMU \$6.75 per semester hour for their students who attend AMU courses.		
AMU Students at U/A Fall	15	(99.00)
AMU Students at U/A Spring Preliminary	32	(193.50)
Total AMU Students Attending U/A	<u>47</u>	<u>(\$292.50)**</u>
**AMU pays U/A \$2.25 per semester hour for their students who attend U/A courses.		
Net Amount to AMU		<u><u>\$3,090.94</u></u>

The cross registration program was initiated during the 1970-71 year and has been steadily growing. An estimate for the 1972-73 academic year is subject to many factors, including the elimination of duplication of higher education opportunities in Anchorage, but participation in cross registration should increase by a factor of 1 1/2 or 2.

In addition, it is impossible to assess realistic dollar value to this program until after the implementation of the "Consortium Agreement" and the tuition charges are determined. Currently, only token rates are being assessed between the institutions.

No estimate is being made for other consortium or cooperative programs at this time; however, programs of this type should permit both institutions to provide better education at reduced rates.

ALASKA METHODIST UNIVERSITY  
July 1, 1971 through June 30, 1972  
OPERATIONS AND RESTRICTED BUDGET SUMMARIES

<u>OPERATIONS BUDGET</u>	<u>Budget</u>	<u>Amount From Outside Alaska</u>	<u>Percent From Outside</u>
<b>Income for Operations:</b>			
Tuition	612,000		
Fees	77,100		
Miscellaneous Income	35,500	8,000	.45
Title III (Allocated to C/O)	60,000	60,000	3.1
Indirect Cost Reimbursement	159,000	50,000	2.6
Net Library Transaction	108,000	108,000	5.5
Sale Non-Contiguous Property	45,000		
Auxiliary Enterprises	50,600		
Donations:			
Nationwide	451,280	451,280	23.3
Alaska	200,000		
Church	175,000	175,000	9.1
<b>Total Income for Operations</b>	<u>1,935,480</u>		
Expenses for Operations	<u>1,935,480</u>		
Balance	-		
<b>Amount and Percent from Outside Alaska</b>		<u>852,280</u>	<u>43.0%</u>

RESTRICTED BUDGETS

<b>Federal Restricted Grants:</b>			
Title III	100,000		
Alaska Statewide Higher Education	136,246		
Head Start Regional Training Officer Program	57,000		
ACTION/VISTA	58,105		
National Science Foundation	3,606		
Alaska School Nurse Mental Health Workshop	25,011		
Psychiatric Nursing Planning Grant	5,546		
Federal Nursing Grant	<u>44,526</u>	428,540	30.5%
<b>Federal Restricted Grants --</b>			
State of Alaska is Prime Contractor, AMU Sub-Contractor:			
Alaska Rural Teacher Training Corps	114,356		
Eskimo Art Program	3,500		
Alaska Children's Art Exhibit	600		
Young Alaskans Art Exhibit	<u>600</u>	119,056	8.5
<b>Federal Restricted Grants --</b>			
Private Corporation is Prime Contractor, AMU is Sub-Contractor:			
Head Start Supplemental Training	57,587	57,587	4.1
<b>Federal Scholarships, Grants &amp; Loans:</b>			
College Work-Study	179,527		
Educational Opportunity Grant	65,235		
National Defense Student Loan Funds	91,350		
Bureau of Indian Affairs	<u>264,470</u>	600,580	42.8
<b>TOTAL FEDERAL RESTRICTED</b>		<u>1,208,583</u>	
<b>State of Alaska:</b>			
Nursing Grant	175,000		
Denali State Park Grant	2,000		
College of Business & Economics Research	<u>5,000</u>	182,000	
<b>Anchorage Department of Education:</b>			
St. Mary's School Workshops	<u>6,176</u>	6,176	
Private Funded Scholarships	<u>10,515</u>	10,515	
<b>TOTAL STATE AND LOCAL</b>		<u>108,691</u>	
<b>TOTAL RESTRICTED BUDGETS</b>		<u>1,401,254*</u>	
<b>Amount and Percent from Outside Alaska</b>		<u>1,208,583</u>	<u>85.9%</u>

\* Of this amount, \$79,000 is also included on Indirect Cost Reimbursement, and \$60,000 as Title III under income for operations

# TUITION EQUALIZATION BILLS

## ADDENDUM

As to the application of the tuition equalization formula proposed by Recommendation 6, above, the following examples show how the plan will benefit Alaska students who have been state residents for at least one year, and who are attending private institutions in Alaska, state aid to apply toward their tuition at the private institution.

Leg.  
Council  
Bill

For example, a student attending Alaska Methodist University in Anchorage: the cost of operation of the University of Alaska at Anchorage has been determined by the University to be \$1,215 per full-time equivalent (FTE) student per academic year of two semesters. This amounts to \$607.50 per semester. The cost of tuition at the University of Alaska, Anchorage, is \$100 per semester. Therefore, the amount to be allowed each student to be applied toward payment of tuition at AMU would be  $\$607.50 - \$100.00 = \$507.50$ .

For part-time students, the amount allowed would be computed on the basis of the student's load (credit hours) minus the amount that student would pay at the state institution. Thus, it costs the state 1/30th of \$1,215 or \$40.50 per credit hour to educate a student at the University of Alaska, Anchorage campus. A part-time student taking six credit hours at AMU, for example, would receive:  $6 \times \$40.50 = \$243.00$ , less \$108, the amount charged by the University for a student taking six credit hours at the University of Alaska, Anchorage, or \$135 allowed. (The University of Alaska charges \$18 per credit hour up to six hours; \$110 per semester for 7-11 credit hours and \$100 per semester for 12 credit hours or more.)

For example, a student attending Sheldon Jackson College at Sitka: the average cost to the state per FTE student per academic year of two semesters to operate Sitka Community College is \$1,055. Therefore, it costs \$527.50 per FTE student, per semester. A full-time student pays \$100 tuition at Sitka Community College each semester. Therefore any Alaska resident who enrolls at Sheldon Jackson College for a full load (12 credit hours or more) may receive  $\$527.50 - \$100.00$ , or \$427.50 to be paid to the student toward the cost of his tuition for a semester of study at Sheldon Jackson College.

\$1,055 per FTE student is equivalent to \$35.17 per credit hour. Hence, a part-time student carrying six credit hours would receive:  $6 \times \$35.17 = \$211$ , less \$108, or \$103, which he is paid to apply toward the cost of his tuition at SJC.

From these examples it would be a simple matter to prepare a chart showing the amounts allowable for any number of credit hours carried up to 12 hours at which point a student becomes "full-time."

NOTE: Computations in following pages have been computed at \$1,400 per F.T.E. <sup>annual</sup> student per Governor's bill.

1. Written statement regarding AMU's position on the tuition equalization proposals (HB 608, HB 549) and the lease or sale of land to the University of Alaska. Detail other alternatives or consequences if either or both of these proposals do not become law.

We would want to emphasize that neither of the proposed bills calls for tuition equalization. The bills call for tuition grants or tuition assistance but there remains a considerable balance in each case that the student would have to meet.

For your convenience we are reproducing below those definitive statements made at the March 10th hearings in Anchorage chaired by Representative Genie Chance which pertain directly to this question. We are also attaching the full texts from which these statements are excerpted.

#### Chairman Ac Wischmeier of the Board of Trustees

"The last several months of good faith negotiation by AMU constitute the continuation of the process of seeking accord, now almost seven years in duration. There has been open disclosure of the deadlines that AMU has had to meet in order to continue to play her part in the education of our young people. The land lease proposal looked very promising, especially when the fair market appraisals of the three appraisers came in so close. However, they did not become public in such a format as to be regarded as responsive to the concept of a 99-year land lease with a businesslike annual rate. Therefore, it did not happen, and it was necessary to work with an Amended Memorandum of Understanding. During all of these negotiations we have understood that both the tuition grant and the land transaction are necessary and would ultimately be enacted. The amended memorandum was worked out with the proper state officials in Juneau with the result that land involved will be advantageously available to the University of Alaska at Anchorage on an outright ownership basis. By virtue of there being an AMU, a portion of this choice tract of land will now be available to all of us and future generations for the enrichment of living.

"As we move into the 1970's, AMU has new leadership and a renewed determination on the part of its supporters, alumni, trustees, faculty, students, and staff to keep faith with the dream which inspired its creation. These are not mere words. Fiscal accountability is the watchword of the administration. Educational integrity is the commitment of the personnel in classroom, laboratory, and office. As this mood becomes contagious we find new friends here and Outside. Doors are re-opening which appeared to be closed.

"This is the time for enlightened legislation such as HB 549, which would continue the loan program for deserving students, and also provide tuition grants to students who would still have to exercise initiative to find additional personal resources to attend AMU or Sheldon Jackson. In an ideal world, complete tuition equalization, here or elsewhere, might be marvelous, but in the real world, with a strained economy, tuition grants would recognize talent and need, and at the same time, encourage the personal initiative dimension of our free enterprise system. It is one thing to choose and yet another thing to be enabled to make a responsible choice. Enlightened legislation will make choice both possible and responsible.

"Although we are a young school we have been at our task long enough to know what we need to fulfill our potential. We cannot honor our obligations to those who have trusted us nor make the creative and distinctive contributions we are competent to make if we cannot stay alive. We will not stay alive without both the land sale and the tuition grant legislation properly funded. If these things do not happen, we will close. We will make every effort to discharge our legal, financial, and moral obligations honorably. We will lock up the facilities in a state of 'protective custody.' I have tried to put this part of my statement as positively as such a grim subject can be put. We do not wish to see the dream end this way but we are realists."

Dr. John O. Picton, President

"The Alaskan Legislature has previously taken the initiative and provided a loan program for students. As we know, the response this year has been overwhelming. Nothing should be done to compromise the forgiveness feature of that program. With the continued need we have for growing our own leaders it makes good sense to keep as many of our young people in the state as possible. I am pleased to see that the next logical step is contemplated in bills calling for tuition grants. Tuition grants go to the students. To the degree that AMU and Sheldon Jackson build and maintain programs of excellence which will attract and hold students they will be able to compete with the state programs of higher education. In the instance of HB 549 which would pay up to \$1,400 per year to a full-time resident Alaskan student to attend AMU the student would still have to raise an additional \$950 to pay his tuition and fees. A student at the U of A would only be required to pay \$200 for a difference therefore of \$750.

"We are saying that if AMU cannot become a viable, dynamic institution with these odds, then it should close. It makes one wonder how many businessmen would be willing to make that statement if their prices were nearly five times that of the competition.

"Some people take the position that any tuition grant should apply to those Alaskans wishing to attend schools Outside. This view is commendable if (1) the state has enough money and (2) if Alaska can afford the luxury of mass exportation of its talent, for people generally locate relatively near where they attend school. Any state that actively promotes a plan whereby it systematically sends its youth away for their collegiate and professional education is not practicing enlightened self-interest.

"It has been our understanding throughout these negotiations that if the land is made available to the University of Alaska good, adequately funded, tuition grant legislation would also be enacted, for one without the other will not permit AMU to survive and become the viable, contributing quality university it needs to be."

Dr. William E. Davis, Executive Vice President

"The first category I wish to address is student aid. In this group are House Bill 535, House Bill 549, and House Bill 608. Bills No. 549 and 608 provide for tuition grants for students. Since the mid-1960's Sheldon Jackson College and AMU have supported a statewide program of scholarship grant assistance for Alaskan students. Over the years the state scholarship grant and loan acts have sought to provide this assistance. The popularity of the existing programs is testimony to their effectiveness.

"But we must ask, is this enough? Does the present legislation meet the goals we have earlier established? Do the programs truly enhance the learning opportunities for students? Is there sufficient freedom of choice so that a student is not forced to accept uniformity? In these respects I find the present programs lacking and believe that the tuition grant concept embodied in House Bills 549 and 608 will help to solve the problem.

"May I emphasize that we are talking about grants to students. We are seeking to provide a vehicle that will allow the student a genuine choice when it comes to making his post-secondary plans...we must seek true options for students and reduce the constraints imposed by financial restrictions."

"Remember also that tuition pays only a part of the real costs of education. At AMU less than a half of our costs are met by tuition. By making it possible for an increasing number of students to attend independent colleges and universities, the taxpayer will have money saved in operating expenses that are borne by the private sector.

"Moreover, the education of any individual is not exclusively for that student's personal benefit. His intellectual and personal development inevitably contributes to the benefit of society. Society should, consequently, be ready and willing to help to pay for the community benefits which it receives from the person educated by the private institutions. To fail to consider the contribution to the public good is irresponsible.

"Of the two bills, HB 549 appears to be 'cleaner' in the formula used to compute the grant-in-aid to the students. This bill has the advantage of setting a ceiling on the amount payable to the student and thus an outer limit on the amount needed to fund the program can be projected. In these times of financial difficulty, prudence requires a ceiling on appropriations.

"One shortcoming of the bill is that it makes no provision for the part-time student. In the fall semester of 1971, we had 517 part-time students enrolled at AMU. Although I don't have the exact figures broken out for part-time and full-time students, I do know that close to half of our students are working. Many must work in order to meet expenses. To limit grant-in-aid assistance to those who are full-time students would appear to deny assistance to a significant number of individuals who perhaps need help more than the full-time enrollee.

"Therefore, I strongly urge that an amendment be drafted for HB 549 that would include language providing for pro-rata support for the part-time student.

"A few words about House Bill 535. This proposed act repeals the forgiveness clause of the present state loan act. The effect would be to require those receiving loans under the Alaska program to pay back in full, plus interest, the amount received as a loan. One of the appeals of the present loan program is the forgiveness provision. Not only does it reward the student who returns to or remains in Alaska after graduation, but also it provides a pool of talent to contribute to the leadership of the state. We all are the beneficiaries of this arrangement. The forgiveness section is a most

reasonable one - only 40% of the loan is cancelled after 5 years of residency and the percentage of forgiveness is directly related to the number of years of gainful employment in the state. Surely such a system, which encourages well-educated individuals to serve in Alaska, is worth retaining. I therefore speak in opposition to this Bill and urge its defeat."

STATEMENT OF  
REVEREND AC WISCHMEIER

before the

SENATE AND HOUSE COMMITTEES ON HEALTH, EDUCATION AND WELFARE

March 10, 1972

Lucy Cuddy Community Center  
Anchorage Community College Campus

Statement of Reverend Ac Wischmeier  
before the  
Senate and House Committees on Health, Education and Welfare

March 10, 1972  
Lucy Cuddy Community Center  
Anchorage Community College Campus

Mrs. Chance, Mr. Thomas, Honorable members of the legislature, I am Ac Wischmeier, Chairman of the Board of Trustees of Alaska Methodist University, and I appear on behalf of the thousands of people who have for more than two decades identified with the development and support of A.M.U. I thank you for this opportunity to speak for them. I am positive that they would not want me to be defensive, but rather that they would want me to say some of the things they would say if they could be here. It is certain that I do not feel competent to express all of the good and true things which should be said. I shall try to lift up those which seem most appropriate to this occasion.

In my career, I have been privileged to work with many dedicated people in many worthy causes. Never before have I worked with so many people from so many diverse backgrounds on one common cause as I have on behalf of A.M.U. And this seems to be typical of the experience of those who have preceded me. The history of the enterprise reveals that, all along, the efforts have been intercultural, and ecumenical, with no artificial polarizations of socio-economic or regional interests. The people who gave the millions of dollars freely have never asked for any pay-off, except the enrichment of the lives of those who enrolled. From all over the state of Alaska, as well as the other 49 states, have come money and talent to

bring A.M.U., since the first day of classes in 1960, to the status of a fully accredited small university with great promise. More money and more talent will come to Alaska by way of A.M.U. if we are able to move forward with the kind of encouragement which may hopefully emerge from this hearing.

Since 1965, A.M.U. has been acting on the counsel of the Northwest Accrediting Association when it recommended to us and to the University of Alaska that we seek accord in our respective programs of higher education so that we could all serve well and responsibly. A.M.U.'s active participation in the development of the Anchorage Higher Education Consortium, which predates current concerns about financial matters, was in keeping with our commitment to implement the accrediting association recommendation. This is just one important phase of A.M.U.'s continual involvement in negotiations devoted to strengthening the quality, availability, and variety of educational opportunities for Alaskans first, and for those others who would be attracted to our great state, and, perhaps, choose to become Alaskans.

The last several months of good faith negotiation by A.M.U. constitute the continuation of the process of seeking accord, now almost seven years in duration. There has been open disclosure of the deadlines that A.M.U. has had to meet in order to continue to play her part in the education of our young people. The land lease proposal looked very promising, especially when the fair market appraisals of the three appraisers came in so close. However, they did not become public in such a format as to be regarded as

responsive to the concept of a 99-year land lease with a businesslike annual rate. Therefore, it did not happen, and it was necessary to work with an Amended Memorandum of Understanding. During all of these negotiations we have understood that both the tuition grant and the land transaction are necessary and would ultimately be enacted. The amended memorandum was worked out with the proper state officials in Juneau with the result that land involved will be advantageously available to the University of Alaska at Anchorage on an outright ownership basis. By virtue of there being an A.M.U., a portion of this choice tract of land will now be available to all of us and future generations for the enrichment of living.

As we move into the 1970's, A.M.U. has new leadership and a renewed determination on the part of its supporters, alumni, trustees, faculty, students, and staff to keep faith with the dream which inspired its creation. These are not mere words. Fiscal accountability is the watchword of the administration. Educational integrity is the commitment of the personnel in classroom, laboratory, and office. As this mood becomes contagious we find new friends here and Outside. Doors are re-opening which appeared to be closed.

This is the time for enlightened legislation such as HB 549, which would continue the loan program for deserving students, and also provide tuition grants to students who would still have to exercise initiative to find

additional personal resources to attend A.M.U. or Sheldon Jackson. In an ideal world, complete tuition equalization, here or elsewhere, might be marvelous, but in the real world, with a strained economy, tuition grants would recognize talent and need, and at the same time, encourage the personal initiative dimension of our free enterprise system. It is one thing to choose and yet another thing to be enabled to make a responsible choice. Enlightened legislation will make choice both possible and responsible.

Although we are a young school we have been at our task long enough to know what we need to fulfill our potential. We cannot honor our obligations to those who have trusted us nor make the creative and distinctive contributions we are competent to make if we cannot stay alive. We will not stay alive without both the land sale and the tuition grant legislation properly funded. If these things do not happen, we will close. We will make every effort to discharge our legal, financial, and moral obligations honorably. We will lock up the facilities in a state of "protective custody." I have tried to put this part of my statement as positively as such a grim subject can be put. We do not wish to see the dream end this way but we are realists.

Thank you for your consideration and patience.

STATEMENT OF  
DR. JOHN O. PICTON

before the

SENATE AND HOUSE COMMITTEES ON HEALTH, EDUCATION AND WELFARE

March 10, 1972

Lucy Cuddy Community Center  
Anchorage Community College Campus

Statement of Dr. John O. Picton  
before the  
Senate and House Committees on Health, Education and Welfare

March 10, 1972  
Lucy Cuddy Community Center  
Anchorage Community College Campus

Mrs. Chance, Mr. Thomas, Honorable members of the legislature;  
My name is John O. Picton. Since November 1st I have been the president of AMU. I accepted the invitation to join AMU because I believe that there is no other small university in the United States as strategically situated to render service as is AMU.

Our size is advantageous for the setting of objectives, monitoring programs, and evaluating results. In addition, needs may be anticipated and fiscal accountability demanded.

Our setting as an international and intercultural community is a veritable laboratory. Interdisciplinary campus projects and world travel help to prepare our students to appreciate our way of life in the midst of other ways of life.

Since the opening of AMU we have served as a community center. Every subject area in the curriculum has at one time or another been the magnet which has drawn local residents to the campus for some program. The pros and cons of countless issues have been discussed and debated in our buildings. It is obvious to me, a relative newcomer, that AMU serves as a catalyst for many creative community concerns and that the community

in turn regards AMU as a very special place. It is the intention of my administration to see to it that this tradition continues and that it be deliberately cultivated.

AMU sees great promise in the development of the Anchorage Higher Education Consortium. So dedicated is AMU to the Consortium concept that it has been proud to share one of its faculty as an Assistant Director and another of its faculty as the first elected Chairman of the Council. The meetings of the Council are held on the AMU campus and financial affairs of the Consortium are handled through the AMU Business Office. According to the University of Alaska, Anchorage Registrar this current semester there are 90 U of A, Anchorage students taking courses at AMU and 30 AMU students taking courses at the U of A, Anchorage on a cross registration basis. In addition, at least five U of A, Anchorage classes numbering approximately 300 meet without charge in AMU classrooms. I am not aware of any AMU classes meeting in U of A, Anchorage facilities.

Because of our commitment to the Consortium concept which provides unity in diversity and stewardship of money, talent, and facilities, we have entered into the aforementioned relationships. Therefore, we were amazed to learn recently that the Faculty Association of the Senior College of the U of A, Anchorage had gone on record as opposing the Consortium concept as it is evolving in Anchorage because it had been alleged that AMU could not contribute to the Consortium. We are sure that such an action at least

indicates the need for wider awareness of what Consortium services already exist through the involvement of AMU.

Now I would like to speak directly to some of the considerations you have before you in the area of proposed legislation. The Alaskan Legislature has previously taken the initiative and provided a loan program for students. As we know, the response this year has been overwhelming. Nothing should be done to compromise the forgiveness feature of that program. With the continued need we have for growing our own leaders it makes good sense to keep as many of our young people in the state as possible. I am pleased to see that the next logical step is contemplated in bills calling for tuition grants. Tuition grants go to the students. To the degree that AMU and Sheldon Jackson build and maintain programs of excellence which will attract and hold students they will be able to compete with the state programs of higher education. In the instance of HIB 549 which would pay up to \$1,400 per year to a full-time resident Alaskan student to attend AMU the student would still have to raise an additional \$950 to pay his tuition and fees. A student at the U of A would only be required to pay \$200 for a difference therefore of \$750.

We are saying that if AMU cannot become a viable, dynamic institution with these odds, then it should close. It makes one wonder how many businessmen would be willing to make that statement if their prices were nearly five times that of the competition.

Some people take the position that any tuition grant should apply to those Alaskans wishing to attend schools Outside. This view is commendable if (1.) the state has enough money and (2.) if Alaska can afford the luxury of mass exportation of its talent, for people generally locate relatively near where they attend school. Any state that actively promotes a plan whereby it systematically sends its youth away for their collegiate and professional education is not practicing enlightened self interest.

As is well known, AMU had the foresight to set aside approximately 500 acres of beautiful land. This magnificent property has been carefully guarded even before the public became rightfully aware of protecting the environment. We have anguished over the releasing of our land not because of any selfishness but because we wanted to see to it that the land would be as well cared for by others as it has been by us. We thought the land lease would be the greatest good for the greatest number. It did not work out. Under an Amended Memorandum of Understanding we have anticipated receiving word from the Board of Regents that an outright sale of a portion of our land would go forward. Although we were informed that a letter had been sent to us Monday, March 6, we have not yet received it or any official word from the Regents. Our deadlines have been well publicized and we are hopeful that we will not have to wait for word much longer.

It has been our understanding throughout these negotiations that if the land is made available to the University of Alaska good, adequately funded, tuition grant legislation would also be enacted for one without the other will not permit AMU to survive and become the viable, contributing quality university it needs to be.

I would not want to close my statement without stating that I have been immensely pleased with the growing concern for higher education which I have detected throughout the state, beginning with the legislature. I am confident that you and we are not alone in our desire to provide resources which will assure the quality, variety, and availability of post-high education for our people.

Thank you.

TESTIMONY  
OF

WILLIAM E. DAVIS, Ph.D.  
Executive Vice President  
Alaska Methodist University

before the

ALASKA STATE LEGISLATURE

HOUSE AND SENATE HEALTH, WELFARE, AND EDUCATION COMMITTEES

PUBLIC HEARINGS

Anchorage, Alaska

March 10, 1972

Mrs. Chance, Mr. Thomas, Honorable members of the legislature; My name is William E. Davis and my home is here in Anchorage. I have been an Alaskan in my heart since I first visited here in the mid-1950's and I have resided here since May of 1961 when I joined AMU at the end of its first year of operation. I have served at AMU over the last ten and a half years in a variety of teaching and administrative posts. At the present I am the Executive Vice President.

I am honored to appear before you today to testify on the future of higher education in Alaska. You have before you a series of bills which will help to set the pattern of higher education for this state during the remainder of this century.

Before speaking about the content of the specific bills, I ask your indulgence while making a few general remarks about higher education. All over the United States today higher education is in difficulty. The causes of difficulty are many and complicated; often they interact with one another to compound the problems. But these problems are not beyond solution. They can be solved and I believe Alaska in many ways can be a leader in pioneering new and effective solutions. These hearings, and the legislation which will come from them, should chart an exciting new course to meet our educational needs.

We must never forget that the central purpose of higher education is learning. Not just the learning that takes place between the student and teacher, but the

learning that passes from student to student, from teacher to teacher, and from staff to student and teacher. The broader community, which includes alumni and other citizens concerned with intellectual pursuits, also shares in the learning process.

To say that learning is the central purpose of universities and colleges is not to be romantic about the future nor nostalgic about the past--it is to assert a central focus that too often is blurred; it is to reassert a purpose that is too often forgotten. In charting the future of higher education in Alaska we must always ask the question - how will this improve the opportunities for learning? No piece of legislation relating to higher education will be of lasting value unless it can expand learning for the people of Alaska.

Historically the United States has been noted for the diversity of higher education. We have always had an advantage in that America has had both public and private institutions of higher learning. The nation is peculiarly fortunate in that some states have educational programs substantially different from others; it is valuable that some institutions concentrate on the teaching of the young, others serve all ages, still others focus on particular groups of individuals within society. The variety of American higher education must be preserved and extended; we must meet the many needs of students who themselves are diverse in aptitudes, interests, and aspirations. There are

many different paths to reason and self-fulfillment.

Yet I fear we may be in danger of losing this great quality of diversity. Technical schools are adding liberal arts; undergraduate colleges aspire to become graduate universities; women's colleges now seek men. Without questioning the appropriateness of these changes, the same models have been adopted by many institutions and the result is an unmistakable trend to uniformity.

Not only is there danger in the trend to uniformity, there is the additional threat of monopoly. According to the U. S. Office of Education, in 1900 only 38% of the students enrolled in degree programs attended public institutions; by 1950 the number had risen to 50%; but by 1970 this proportion had reached 75%. This is not to say that the public institutions are not filling a great need in American higher education but to point out the potential danger of a monopoly of the higher educational enterprise by public institutions. For three centuries the great strength of American higher education lay with the private colleges and universities; a heritage which extends to times before the founding of the nation must not be lost in the short span of one or two decades.

I say that we have a chance to chart a new course in higher education. Our goal must be to enhance learning. We must avoid the dangers of uniformity and monopoly. What direction should this new course take?

First, we must take the necessary steps to preserve the most important values of the present structure. Responsible patterns of financial support for both the public and private sectors of higher education must be achieved. Our resources, both human and financial, are limited; we must strive at every point to allocate those limited resources to achieve the greatest good. Public support for private higher education must seek not only immediate and short-term solutions but also must be designed for long-term benefits that will preserve the valuable resources we now have. Public and private financing of higher education must have a reinforcing effect not a divisive one.

Second, we must achieve a balanced and coordinated network of higher education. Comprehensive planning and coordinated operation can result in a structure that will reinforce the academic strengths of our present systems. Unplanned expansion and unnecessary competition will only result in waste. The public interest will be served only if the total resources available are used in a planned, coordinated manner.

Finally, we must not be frightened of innovation. New ways of doing things always involve anxiety but we must be willing to risk the discomfort of change. Today's youth are seeking new ways, new goals, new ideals. Some want to combine school with work at the same time; others want to alternate their periods of

work or travel; still others may wish to learn but not to work for a specific degree. We must not deny our students the chance to try these new ways.

Thank you for your patience while I shared with you some of the dreams I have about the future of higher education in Alaska. Turning now to the specific bills you are considering, may I ask your further indulgence if I deal with them by category. Many of the items before you pertain to the University of Alaska. They are addressed to internal considerations relating to the operation of the state system and come from the intensive study conducted by the Legislative Council's Sub-Committee on Higher Education. Many who will testify today will address themselves to these matters so I have chosen to speak only to those bills directly affecting Alaska Methodist University.

The first category I wish to address is student aid. In this group are House Bill 535, House Bill 549, and House Bill 608. Bills No. 549 and 608 provide for tuition grants for students. Since the mid-1960's Sheldon Jackson College and AMU have supported a statewide program of scholarship grant assistance for Alaskan students. Over the years the state scholarship grant and loan acts have sought to provide this assistance. The popularity of the existing programs is testimony to their effectiveness.

But we must ask, is this enough? Does the present legislation meet the goals

we have earlier established? Do the programs truly enhance the learning opportunities for students? Is there sufficient freedom of choice so that a student is not forced to accept uniformity? In these respects I find the present programs lacking and believe that the tuition grant concept embodied in House Bills 549 and 608 will help to solve the problem.

May I emphasize that we are talking about grants to students. We are seeking to provide a vehicle that will allow the student a genuine choice when it comes to making his post-secondary plans. Too often a student's choice is limited for financial reasons; it's not good business to buy a Cadillac for \$6,000 when from a different dealer you can get an Imperial at a 90% discount. We must seek true options for students and reduce the constraints imposed by financial restrictions.

Remember also that tuition pays only a part of the real costs of education. At AMU less than a half of our costs are met by tuition. By making it possible for an increasing number of students to attend independent colleges and universities, the taxpayer will have money saved in operating expenses that are borne by the private sector. Taking a wholly mythical example, the taxpayer might pay \$4,000 or \$5,000 yearly for the education of Mr. Smith's son or daughter at a state institution; support for Mr. Smith's child to attend a private school

of \$1,000 to \$2,000 is surely a significant saving.

Moreover, the education of any individual is not exclusively for that student's personal benefit. His intellectual and personal development inevitably contributes to the benefit of society. Society should, consequently, be ready and willing to help to pay for the community benefits which it receives from the person educated by the private institutions. To fail to consider the contribution to the public good is irresponsible.

Of the two bills, H.B. 549 appears to be "cleaner" in the formula used to compute the grant-in-aid to the students. This bill has the advantage of setting a ceiling on the amount payable to the student and thus an outer limit on the amount needed to fund the program can be projected. In these times of financial difficulty, prudence requires a ceiling on appropriations.

One shortcoming of the bill is that it makes no provision for the part-time student. In the fall semester of 1971, we had 517 part-time students enrolled at AMU. Although I don't have the exact figures broken out for part-time and full-time students, I do know that close to half of our students are working. Many must work in order to meet expenses. To limit grant-in-aid assistance to those who are full-time students would appear to deny assistance to a significant number of individuals who perhaps need help more than the full-time enrollee.

Therefore, I strongly urge ~~an~~ an amendment be drafted for H.B. 549 that would include language providing for pro-rata support for the part-time student.

A few words about House Bill 535. This proposed act repeals the forgiveness clause of the present state loan act. The effect would be to require those receiving loans under the Alaska program to pay back in full, plus interest, the amount received as a loan. One of the appeals of the present loan program is the forgiveness provision. Not only does it reward the student who returns to or remains in Alaska after graduation, but also it provides a pool of talent to contribute to the leadership of the state. We all are the beneficiaries of this arrangement. The forgiveness section is a most reasonable one - only 40% of the loan is cancelled after 5 years of residency and the percentage of forgiveness is directly related to the number of years of gainful employment in the state. Surely such a system, which encourages well-educated individuals to serve in Alaska, is worth retaining. I therefore speak in opposition to this Bill and urge its defeat.

The final bill before you in which we have a direct interest is the general obligation bond issue, House Bill 609. We are particularly pleased to see the next consortium building included in this package. As noted in the testimony

of Mr. Wischmeier, the Chairman of our Board of Trustees, the first joint meeting of the Regents and Trustees occurred on October 12, 1965. The "Memorandum of Understanding" between the Regents and Trustees was ratified by both bodies in the Fall of 1969. Thus the history of our present Consortium arrangements extends over the past seven years.

Part of the implementation of the 1969 "Memorandum of Understanding" was the "Statement of General Principles Concerning 'Common-Use' Facilities...."; this "Statement" was the basis for planning and designing the joint instructional materials library now under construction. These agreements for cooperative, consortium arrangements constitute a good beginning towards a unified higher education effort in the Anchorage area and there is great wisdom in continuing to build physical facilities to help solidify the consortium arrangements.

I know that the Consortium Advisory Council, the in-house group which reviews our joint efforts, has already discussed what might be included in this facility with the planners from the University of Alaska. I mentioned in my earlier, more philosophically-oriented discussion that we must not be afraid of innovation. So it is for our consortium arrangements. We must be bold when we come together to forge new patterns of cooperation; we must expect some stress and pain; but surely we can anticipate that together we can build a new fabric of higher education that will be an example for others.

We support, of course, not only those portions of the bond package pertaining to the Southcentral Region but also those addressed to needs throughout the state. We hope that the legislature will look favorably on these proposals and that the voters will have the opportunity to express their desires when the issue comes to them at the polls.

Ladies and Gentlemen, like most college professors, I have talked longer than I should. Thank you for your attention; thank you for your responsiveness to the public good; and may you in your wisdom chart for us a new course in higher education for the future.



# alaska methodist university

OFFICE OF THE PRESIDENT

March 15, 1972

Mr. Rich Guthrie  
Fiscal Analyst  
Finance Division  
Budget and Audit Committee  
The Alaska State Legislature  
Pouch WF - State Capitol  
Juneau, Alaska 99801

Dear Mr. Guthrie:

We are pleased to respond to your letter of March 9th. in which you requested information on the items listed below. We have developed the information and you will find it attached in the order of your asking.

1. Written statement regarding AMU's position on the tuition grant bills (HB 608 and HB 549) and the lease or sale of land to the University of Alaska. Detail other alternatives or consequences if either or both of these proposals do not become law.
2. Cash flow requirements for the remainder of this academic year to include anticipated sources of funding (current legislative proposals, gifts, fees, etc.).
3. Proposed budget for 1972-73.

Thank you for asking for this material and we hope that you will be able to put it to good use during these very important days of consideration.

Sincerely,

John O. Picton  
President

JOP/jf  
Encl.

TO: Senate Finance Committee

FROM: Rich Guthrie

SUBJ: HB 771 am

HB 771 am and SSSB 357 both request \$1,950,000 for the purchase of land from AMU. Fiscal back-up for both bills is contained in the SB 357 files.

cc: SB 357 file

AMU 4/4/72 1:30 p.m. Hse Fin.

HB546, HB608

STATEMENT - Picton

1. \$1,680,000 tentative budget for FY73
2. FY73 ~~budget~~ income
  - a. @ \$1,015 student grants  
enrollment of 440  
990,000 tuition (@ \$2250 per student)
  - b. Summer, misc., etc.
  - c. 

100,000	}	donations
150,000		
200,000		
  - d. Total - \$1,730,000

STATEMENT:

1. In past, unrealistic income expectations
2. Proposed FY73 budget based upon "realistic" income projections

ALASKA METHODIST UNIVERSITY  
CASH FLOW PROJECTION ----- 1971 - 1972 BUDGET YEAR  
CURRENT OPERATIONS, AUXILIARY ENTERPRISES & REPAYMENTS

MGM/jf  
REVISED March 29, 1972

	Actuals: July - February	March	April	May	June	Current Estimates Repayments, Operations, & Auxiliary	Current Estimate of Operations Budget Only 1971-72	Estimated Variance From Operations Budget	Operations Budget 1971-72
<b>ESTIMATED EXPENDITURES:</b>									
Salaries	836,935	120,000	120,000	120,000	134,685	1,331,620	1,248,930	---,--	1,248,930
Building Bond Interest	---,--	45,000	---,--	---,--	---,--	45,000	---,--	---,--	---,--
Monthly Expenditures	<u>655,110</u>	<u>100,000</u>	<u>95,000</u>	<u>95,000</u>	<u>122,150</u>	<u>1,067,260</u>	<u>684,550</u>	<u>---,--</u>	<u>684,550</u>
	<u>1,492,045</u>	<u>265,000</u>	<u>215,000</u>	<u>215,000</u>	<u>256,835</u>	<u>2,443,880</u>	<u>1,933,480</u>	<u>---,--</u>	<u>1,933,480</u>
Loan Repayments	360,000	283,000	---,--	---,--	100,000	743,000	---,--	---,--	---,--
Accounts Payable & Contracts	400,000	242,000	---,--	---,--	---,--	642,000	---,--	---,--	---,--
	<u>2,252,045</u>	<u>790,000</u>	<u>215,000</u>	<u>215,000</u>	<u>356,835</u>	<u>3,828,880</u>	<u>1,933,480</u>	<u>---,--</u>	<u>1,933,480</u>
<b>ESTIMATED INCOME:</b>									
Sale of Residence	45,000	---,--	---,--	---,--	---,--	45,000	45,000	---,--	45,000
Released Library Funds	518,000	---,--	---,--	---,--	---,--	518,000	108,000	---,--	108,000
Library Transfer	350,000	---,--	---,--	---,--	---,--	350,000	---,--	---,--	---,--
Tuition	508,000	27,000	27,000	27,000	44,500	633,500	633,500	+21,500	612,000
Auxiliary Income	375,000	40,000	40,000	40,000	46,000	541,000	30,600	---,--	30,600
Indirect Costs	105,400	8,000	8,000	8,000	9,600	139,000	139,000	---,--	139,000
Title III	30,775	7,000	7,000	7,000	8,225	60,000	60,000	---,--	60,000
Miscellaneous	99,513	12,000	12,000	12,000	2,087	137,600	137,600	+25,000	112,600
Advance Specials - Church	46,353	7,000	7,000	7,000	7,647	75,000	75,000	---,--	75,000
Donations for Operations-Alaska	100,876	12,000	12,000	19,124	6,000	150,000	150,000	-50,000	200,000
Nationwide	139,984	27,000	27,000	27,000	29,016	250,000	250,000	-201,280	451,280
Southeast	---,--	---,--	---,--	---,--	---,--	---,--	---,--	-100,000	100,000
Sale of Land to U of A	---,--	975,000	---,--	---,--	---,--	975,000	350,000	+350,000	---,--
TOTAL INCOME	<u>2,318,901</u>	<u>1,115,000</u>	<u>140,000</u>	<u>147,124</u>	<u>153,075</u>	<u>3,874,100</u>	<u>1,978,700</u>	<u>+ 45,220</u>	<u>1,933,480</u>
MONTHLY GAIN (LOSS)	66,856	325,000	(75,000)	(67,867)	(203,760)	---,--	---,--	---,--	---,--
	<u>---,--</u>	<u>66,856</u>	<u>391,856</u>	<u>316,856</u>	<u>248,980</u>	<u>---,--</u>	<u>---,--</u>	<u>---,--</u>	<u>---,--</u>
CUMULATIVE CASH FLOW	<u>66,856</u>	<u>391,856</u>	<u>316,856</u>	<u>248,980</u>	<u>45,220</u>	<u>45,220</u>	<u>45,220</u>	<u>45,220</u>	<u>---,--</u>



Offered: 3/20/72  
Referred: Finance

1 IN THE SENATE

BY THE RULES COMMITTEE BY REQUEST  
OF THE LEGISLATIVE COUNCIL

2

SPONSOR SUBSTITUTE FOR SENATE BILL NO. 357

3

IN THE LEGISLATURE OF THE STATE OF ALASKA

4

SEVENTH LEGISLATURE - SECOND SESSION

5

A BILL

6

For an Act entitled: "An Act appropriating to the University of Alaska;

7

and providing for an effective date."

8

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

9

\* Section 1. The sum of \$1,950,000 is appropriated from the general

10

fund to the University of Alaska to implement the Memorandum of Understand-

11

ing between the Board of Regents of the University of Alaska and the Board

12

of Trustees of Alaska Methodist University, March 11, 1972, for the con-

13

veyance by the Board of Trustees of Alaska Methodist University of certain

14

parcels of real property in Anchorage to the Board of Regents of the

15

University of Alaska, to be paid as follows:

16

(1) \$975,000, for the fiscal year ending June 30, 1972, on

17

the effective date of this Act; and

18

(2) \$975,000, for the fiscal year ending June 30, 1973, on

19

July 1, 1973.

20

\* Sec. 2. This Act takes effect on the day after its passage and approval

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or on the day it becomes law without approval.

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SB 357

AMENDED MEMORANDUM OF UNDERSTANDING

This AMENDED MEMORANDUM OF UNDERSTANDING is entered into this 11<sup>th</sup> day of February, 1972,

the University of Alaska (hereinafter, the U of A), and Alaska Methodist University (hereinafter, AMU).

WITNESSETH:

WHEREAS, U of A plans to expand its campus at Anchorage, Alaska, and requires suitable land to carry out that expansion; and

WHEREAS, AMU has patent to land in the Anchorage area which is suitable for such expansion; and

WHEREAS, due to developments occurring subsequent to the execution of the MEMORANDUM OF UNDERSTANDING dated January 8, 1972, between the above mentioned parties, it is necessary to amend the same in accordance with the provisions hereinafter set forth;

NOW, THEREFORE, the parties agree as follows:

1. AMU agrees to convey to U of A in fee simple absolute approximately 197.5 acres of land described as follows:

Parcel No. 1: The Southeast One-quarter (SE 1/4) of the Southeast One-quarter (SE 1/4) of Section Twenty-one (21), Township Thirteen North (T13N), Range Three West (R3W), Seward Meridian.

Parcel No. 2: The South One-half (S 1/2) of the Southwest One-quarter (SW 1/4) of Section Twenty-two (22), Township Thirteen North (T13N), Range Three West (R3W), Seward Meridian.

Parcel No. 3: The Northeast One-quarter (NE 1/4) of the Northeast One-quarter (NE 1/4) of Section Twenty-eight (28), Township Thirteen North (T13N), Range Three West (R3W), Seward Meridian.

Parcel No. 4: The Northwest One-quarter (NW 1/4) of the Southeast One-quarter (SE 1/4) of the Northeast One-quarter (NE 1/4) of Section Twenty-eight (28), Township Thirteen North (T13N), Range Three West

(R3W), Seward Meridian.

Parcel No. 5: The West One-half (W 1/2) of the Northeast One-quarter (NE 1/4) of the Southeast One-quarter (SE 1/4) of the Northeast One-quarter (NE 1/4) of Section Twenty-eight (28), Township Thirteen North (T13N), Range Three West (R3W), Seward Meridian.

Parcel No. 6: All that portion north of University Drive of the North One-half (N 1/2) of the Southwest One-quarter (SW 1/4) of the Southeast One-quarter (SE 1/4) of the Northeast One-quarter (NE 1/4) of Section Twenty-eight (28), Township Thirteen North (T13N), Range Three West (R3W), Seward Meridian.

Parcel No. 7: All that portion north of University Drive of the Northwest One-quarter (NW 1/4) of the Southeast One-quarter (SE 1/4) of the Southeast One-quarter (SE 1/4) of the Northeast One-quarter (NE 1/4) of Section Twenty-eight (28), Township Thirteen North (T13N), Range Three West (R3W), Seward Meridian.

Parcel No. 8: The easterlymost two and one-half (2 1/2) acres of the North One-half (N 1/2) of the Southwest One-quarter (SW 1/4) of the Northeast One-quarter (NE 1/4) of Section Twenty-eight (28), Township Thirteen North (T13N), Range Three West (R3W), Seward Meridian.

Parcel No. 9: The Southwest One-quarter (SW 1/4) of the Northwest One-quarter (NW 1/4) of the Northwest One-quarter (NW 1/4) of the Southeast One-quarter (SE 1/4) of Section Twenty-eight (28), Township Thirteen North (T13N), Range Three West (R3W), Seward Meridian; and

The Southwest One-quarter (SW 1/4) of the Northwest One-quarter (NW 1/4) of the Southeast One-quarter (SE 1/4) of Section Twenty-eight (28), Township Thirteen North (T13N), Range Three West (R3W), Seward Meridian; and

The Southwest One-quarter (SW 1/4) of the Southeast One-quarter

(SE 1/4) of the Northwest One-quarter (NW 1/4) of the Southeast One-quarter (SE 1/4) of Section Twenty-eight (28), Township Thirteen North (T13N), Range Three West (R3W), Seward Meridian.

2. All parcels have been patented to AMU under U. S. Patent No.

50-64-0186 and 50-64-0187, dated June 2, 1964, and the U of A's use shall be

subject to the restrictions imposed in the original patents. This conveyance is

subject to the approval of the Secretary of the United States Department of the Interior.

Both parties agree to cooperate in planning for the use and development of their

adjoining lands.

3. The U of A shall pay AMU the sum of One million nine hundred fifty

thousand dollars (\$1,950,000) for the above described parcels of land with one-half

(1/2) thereof payable on March 20, 1972, as soon as a legislative appropriation for

this purpose is enacted, and the remaining one-half (1/2) thereof, payable on

July 1, 1972.

4. AMU shall dedicate in perpetuity the balance of its main Anchorage

campus which it holds under the November 28, 1958, U. S. Patent No. 1150278,

including both land and existing and future buildings, to nonprofit education, health,

recreation and conservation or related public purposes. The U of A has the right to

enforce this dedication.

5. AMU and U of A shall implement the Memorandum of Understanding of

August 11, 1969, commonly known as the "Consortium Agreement," to guarantee

the sensible elimination of duplication of higher educational opportunities in Anchorage

consistent with the stated objectives of the respective higher education institutions

in the Anchorage area. AMU shall make available to the U of A classrooms and other

facilities not now being fully utilized without further payment effective at once. The

U of A and AMU shall establish and implement a common calendar for major terms in

each academic year commencing with the 1972-73 academic year. The Legislative

Council of the Alaska State Legislature shall oversee the implementation of the

"Consortium Agreement" and shall enforce recommendations and settle disputes

between AMU and U of A.

6. The implementation of this agreement is subject to legislative appropriation.

dated January 8, 1972,

7. The Memorandum of Understanding is hereby declared null and void.

Dated at Anchorage, Alaska this 11th day of March, 1972.

UNIVERSITY OF ALASKA

Attest:

By: William A. O'Neil  
President, Board of Regents

Robert E. McPherson vice President  
Secretary, Board of Regents Pre-Term

ALASKA METHODIST UNIVERSITY

Attest:

By: Carl Wischni  
Chairman, Board of Trustees

Max G. McLaughlin  
Secretary, Board of Trustees

Introduced: 2/29/72  
Referred: Finance

1 IN THE SENATE

BY THE RULES COMMITTEE BY REQUEST  
OF THE LEGISLATIVE COUNCIL

2

SENATE BILL NO. 357

3

IN THE LEGISLATURE OF THE STATE OF ALASKA

4

SEVENTH LEGISLATURE - SECOND SESSION

5

A BILL

6

For an Act entitled: "An Act appropriating to the University of Alaska;

7

and providing for an effective date."

8

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

9

\* Section 1. The sum of \$975,000 is appropriated from the general fund

10

to the University of Alaska for the fiscal year ending June 30, 1972, to

11

implement the Memoranda of Understanding between the State of Alaska, Univer-

12

sity of Alaska and Alaska Methodist University, for the conveyance by Alaska

13

Methodist University of certain parcels of real property in Anchorage to the

14

University of Alaska and the State of Alaska.

15

\* Sec. 2. This Act takes effect on the day after its passage and approv-

16

al or on the day it becomes law without approval.

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# RECORDS



# CERTIFICATION

I, the undersigned, an employee of the State of Alaska, do hereby certify that the microfilm images on this microform are accurate reproductions of the original records of the State of Alaska as accumulated during the regular course of business, and that it is the established policy and practice of this State to microfilm its records and to dispose of the original records after microfilm reproductions have been made.

James D. Smith  
Signature of Camera Operator

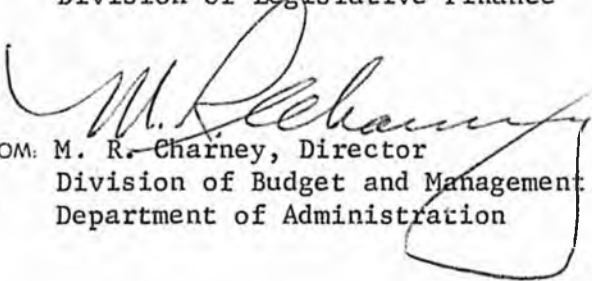
4/4/89  
Date

STATE  
of ALASKA

# MEMORANDUM

TO:  Jay Hogan, Fiscal Analyst  
Division of Legislative Finance

DATE : March 30, 1972

  
FROM: M. R. Charney, Director  
Division of Budget and Management  
Department of Administration

SUBJECT: Fiscal Note - Senate Bill ~~691~~ <sup>361</sup>

With the defeat of Senate Bill 362, "An Act Establishing the Trans-Alaska Authority as a Public Corporation of the State; and Providing for an Effective Date", a fiscal note on Senate Bill 361 to reflect the Fiscal Year costs to issue \$3,500,000,000 in G.O. Bonds for the pipeline seems superfluous.

Unless we hear from you further, we are assuming your request of March 24, is withdrawn.

3/27

Milt to prepare leg. fin.  
Comm. fiscal note.

# STATE OF ALASKA

THE LEGISLATURE

BUDGET AND AUDIT COMMITTEE

*file*  
AUDIT DIVISION  
POUCH W — ALASKA OFFICE BUILDING

FINANCE DIVISION  
POUCH WF — STATE CAPITOL

JUNEAU 99301

## MEMORANDUM

TO: Myrton Charney, Director  
Budget and Management

DATE: 3/24/72

FROM: LEGISLATIVE FINANCE  
ROOM 407  
CAPITOL BUILDING

SUBJ: FISCAL NOTE REQUEST

PLEASE COMPLETE THE ATTACHED FISCAL NOTE FOR SB 361,  
AND RETURN IT TO OUR OFFICE BY 3/31/72.

IN ADDITION TO THE GENERAL INSTRUCTIONS REGARDING FISCAL  
NOTE PREPARATION (REFERENCE OUR MEMO OF 12/15/71),  
PLEASE OBSERVE THE FOLLOWING:

Furnish estimate data regarding debt service, operational costs, gross  
revenues, net revenues, etc. based upon:

1. Construction completion and initial pipeline flow (estimated dates?)
2. Full capacity pipeline flow (estimated date?)

TIMELY RETURN OF THIS INFORMATION IS REQUESTED. HOWEVER,  
IF ADDITIONAL PREPARATION TIME IS REQUIRED, NOTIFY OUR OFFICE  
AS SOON AS POSSIBLE IN ORDER THAT DISCUSSION OF THE PROPOSED LEG-  
ISLATION MAY BE RESCHEDULED TO A LATER DATE.

ATTACHMENTS: (1) FISCAL NOTE  
(2) COPY OF BILL VERSION

CC: BUDGET & MANAGEMENT

Introduced: 3/2/72  
Referred: Commerce,  
Finance

1 IN THE SENATE

BY THE COMMERCE COMMITTEE

2 SENATE BILL NO. 361

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 SEVENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act providing for the issuance of general obliga-  
7 tion bonds in the amount of \$3,500,000,000 for the  
8 purpose of paying the cost of acquiring, constructing  
9 and equipping a pipeline or pipelines to provide  
10 transportation for oil and natural gas from Prudhoe  
11 Bay and adjacent areas to the port of Valdez and other  
12 ports and for related facilities; and providing for an  
13 effective date."

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

15 \* Section 1. For the purpose of paying the cost of acquiring, construct-  
16 ing and equipping a pipeline or pipelines to provide transportation for oil  
17 and natural gas from Prudhoe Bay and adjacent areas to the port of Valdez  
18 and other ports and related facilities, including but without limitation,  
19 roads, port facilities, airports, docks, wharves, storage facilities and  
20 other marine equipment, sewage or waste disposal facilities, facilities for  
21 furnishing electric energy, gas, or water, air or water pollution control  
22 facilities, parks, playgrounds and other recreational facilities, and other  
23 systems and other laboratory, maintenance, storage or utility facilities or  
24 structures necessary or useful for the transportation of oil and natural gas  
25 and related facilities or equipment, general obligation bonds of the state  
26 in the principal amount of not more than \$3,500,000,000 shall be issued and  
27 sold. The full faith, credit and resources of the state are pledged to the  
28 payment of the principal of and interest and redemption premium, if any, on  
29 these bonds. These bonds shall be issued under the provisions of AS 37.15

Introduced: 3/2/72  
Referred: Commerce,  
Finance

1 IN THE SENATE

BY THE COMMERCE COMMITTEE

2 SENATE BILL NO. 361

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 SEVENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act providing for the issuance of general obliga-  
7 tion bonds in the amount of \$3,500,000,000 for the  
8 purpose of paying the cost of acquiring, constructing  
9 and equipping a pipeline or pipelines to provide  
10 transportation for oil and natural gas from Prudhoe  
11 Bay and adjacent areas to the port of Valdez and other  
12 ports and for related facilities; and providing for an  
13 effective date."

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

15 \* Section 1. For the purpose of paying the cost of acquiring, construct-  
16 ing and equipping a pipeline or pipelines to provide transportation for oil  
17 and natural gas from Prudhoe Bay and adjacent areas to the port of Valdez  
18 and other ports and related facilities, including but without limitation,  
19 roads, port facilities, airports, docks, wharves, storage facilities and  
20 other marine equipment, sewage or waste disposal facilities, facilities for  
21 furnishing electric energy, gas, or water, air or water pollution control  
22 facilities, parks, playgrounds and other recreational facilities, and other  
23 systems and other laboratory, maintenance, storage or utility facilities or  
24 structures necessary or useful for the transportation of oil and natural gas  
25 and related facilities or equipment, general obligation bonds of the state  
26 in the principal amount of not more than \$3,500,000,000 shall be issued and  
27 sold. The full faith, credit and resources of the state are pledged to the  
28 payment of the principal of and interest and redemption premium, if any, on  
29 these bonds. These bonds shall be issued under the provisions of AS 37.15

1 as those provisions read at the time of issuance.

2 \* Sec. 2. If the issuance of these bonds is authorized by the qualified  
3 voters of the state, a special fund of the state to be known as the "Oil  
4 Pipeline Construction Fund" shall be established to which shall be credited  
5 the proceeds of the sale of the bonds described in sec. 1 of this Act except  
6 for the accrued interest and premiums. There is appropriated from the "Oil  
7 Pipeline Construction Fund" to the TransAlaska Authority created under  
8 AS 44.58 the sum of \$3,500,000,000.

9 \* Sec. 3. If the issuance of these bonds is authorized by the qualified  
10 voters of the state, the amount of \$1,000,000 or as much of that amount as  
11 is found necessary is appropriated from the general fund of the state to the  
12 state bond committee to carry out the provisions of this Act and to pay  
13 expenses incident to the sale and issuance of the bonds authorized in this  
14 Act.

15 \* Sec. 4. The question whether the bonds authorized in this Act are to  
16 be issued shall be submitted to the qualified voters of the state at the  
17 next state general election and shall read substantially as follows:

18 Proposition

19 State General Obligation Oil Pipeline Construction

20 Bonds \$3,500,000,000

21 Shall the State of Alaska issue its general obligation bonds  
22 in the principal amount of not more than \$3,500,000,000 for  
23 the purpose of paying the cost of acquiring, constructing  
24 and equipping a pipeline or pipelines to provide transporta-  
25 tion for oil and natural gas from Prudhoe Bay and adjacent  
26 areas to the port of Valdez and other ports for related  
27 facilities?

28 Bonds Yes [ ]

29 Bonds No [ ]

1       \* Sec. 5. This Act takes effect on the day after its passage and approv-  
2 al or on the day it becomes law without approval.

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The following analysis of various questions surrounding state ownership of the pipeline has been made by Greg Erickson, Staff Economist of the Pipeline Impact Committee.

TAX EXEMPT STATUS - The first and most critical of these questions concerns the tax exempt character of the bonds which would be sold by Alaska to finance pipeline construction. In recent years the Internal Revenue Service has taken a hard line concerning the eligibility of governmental bonds for tax exempt status when the proceeds of such bonds are used for "non-governmental purposes", especially when the benefits of the tax exemption appear to accrue in substantial measure to private interests. As long as uncertainty exists on this point, it might be impossible for the state to sell such bonds. If the IRS takes a negative position the state might be forced to seek a declaratory judgment. Assuming that the state might eventually win such a judgment, it could conceivably take many months for the Federal government to exhaust its avenues of appeal. Of course, the time period of these appeals could be concurrent with further delay in the issuance of the pipeline permit.

USE COMMITMENTS - It would be imprudent for the state (or anyone else) to invest in a facility without some assurance that it will have a useful life in excess of the time required to pay for it. In the case of the pipeline, such an assurance means contracts from the holders of North Slope reserves committing them to use the pipeline for the necessary number of years regardless of any alternative transportation modes or oil sources which may become available. If, for instance, oil discoveries in the Mackenzie River Delta or elsewhere in the Canadian Arctic made an oil pipeline through Canada to the United States a reality, Alaska would need assurance that North Slope oil would not be diverted to this alternate route. Furthermore, financing the pipeline without such use commitments would be very difficult, for the faith and credit of Alaska alone is probably insufficient to underwrite the vast sums required for this project.

AVAILABILITY OF TECHNICAL EXPERTISE - The final fundamental problem revolves around technical expertise and manpower availability. The team required to design and construct the Alyeska pipeline could simply not be kept together by the State of Alaska without the cooperation of the oil companies. This is not to say that the project could not be constructed without their assistance, because it could. However, the additional time and extra expense that would be necessary in this eventuality would probably make state ownership unrealistic.

## SECONDARY CONSIDERATIONS

MANAGERIAL RESOURCE SCARCITY - In addition to these fundamental problems there are other negative features of state ownership which deserve careful scrutiny. In Alaska, as elsewhere, the managerial and administrative talent which makes for good government is a scarce resource. This scarcity, however, affects Alaska more severely than other states because the problems which we face here are very often unique. Unlike his counterpart in the South 48, the Alaskan governmental executive faces many problems for which there are no "traditional" solutions. In the coming years this scarce governmental talent will be spread rather thinly as it grapples with these problems--limited entry in fisheries, the massive upgrading necessary in rural education, the dynamic expansion of the tourist industry, and, of course, the continuing need to find some tenable middle ground between those who would see Alaska industrially raped and those who would have it remain forever locked up. These and other problems may not receive the attention they deserve if Alaska's governmental managers were to be given the additional responsibility of overseeing--with all its political implications--the construction and operation of this very sophisticated industrial facility.

INCREASED DEBT LOAD - Whether the pipeline is financed with revenue bonds or, as is more likely, general obligation bonds, such a large increase in the state's already high per capita debt load cannot help but have a negative effect on the state's ability to finance future necessary capital improvements.<sup>13</sup> At the very least, investors will view such high per capita debt loads as increasing the possibility of default and will insist upon higher interest rates to compensate them for carrying these risks. Thus, Alaskan taxpayers will eventually share in the cost of building the pipeline, since its financing will increase the burden of debt service that they will be required to carry to pay for the construction of future highways, ferries, schools, etc.<sup>14</sup>

INVESTMENT COST EFFECTIVENESS - Insofar as state ownership of the pipeline is justified on the grounds that such ownership is necessary to maximize the number of jobs created for the local labor force, its cost effectiveness in this regard must be examined. If University of Alaska's figures are realistic, a total of 20,000 man-years of employment will result from the project. Assuming (in the worst case) that only ten percent of these jobs would go to Alaskans if it were an industry sponsored project, as opposed to ninety percent if it were constructed under State ownership, (a very, very optimistic prediction) the net increase due to state ownership would be 16,000 man-years of employment. At a total project cost of \$2.5 billion the cost per man-year of employment would be \$156,000.

If pipeline employment were spread out over a twenty-year facility life rather than concentrated in the construction phase these 16,000 man-years would be equivalent to 800 permanent jobs; thus, the pipeline investment necessary to create a single permanent job would be \$5,125,000. This must be compared with investment per job in the fishing industry of approximately \$5,000 and even in the most capital intensive phases of the tourist industry of \$30,000.<sup>15</sup>

CONTROL OF COSTS - The Harbridge House report dwells at some length on the difficulties that can be expected to arise in the management of this type of project with respect to the need for undivided authority and the delegation of considerable responsibility to individuals who would be some distance administratively from those state officials responsible to the electorate. Under such circumstances it has often been contended that there is an institutional tendency to lose control of costs in the attempt to optimize local resource use.

This would almost certainly be the case in the present situation, where the eventual costs of this type of discrimination will be borne largely by the oil companies and, largely at some distant future date.

The following testimony concerning state financing of the pipeline was given by Raymond B. Gary of Morgan Stanley & Co. in his appearance before the Joint Hearing on Proposed Pipeline Legislation, March 6-10, 1972.

"Now, I'd like to finish up with the abilities of the State to finance this staggering sum of money. I might point out that another thing that hasn't come out yet is that if the State does it, which we don't think it can, but it's not going to be \$3.5 billion, it'll be more. Because, among other things, the State's estimates, as I understand them--there was some confusion on this--but as I understood it, it did not include interest during the construction, so that would be added to the base figure, whatever it comes out at. The State's bankers have been talking about a reserve fund of or it should be talking, I should think, two years of debt service. There is interest on interest and interest on the reserve fund because that would have to be raised and you're possibly looking at raising as much as a billion dollars more than, in fact,

the oil companies will have to raise.

Well, anyway, the tax exempt market is a big one, but our firm is of the opinion for this amount of money that even if it could be raised, and there are some doubts about that but for it to be raised at all, you would have to tap every reservoir of capital in the country to the maximum extent. Now, this would include and the biggest of those reservoirs, of course, are the life insurance companies that are ordinarily--life insurance companies and pension funds, I should say, that are not ordinarily borrowers of tax exempt securities in the first place because they get almost no benefit from them. For that reason, the cost isn't this number that's been banded about, it's the rate at which life insurance companies loan their money to credits of this kind.

Now, this theory's been advanced that one of the ways the State can secure a borrowing of this magnitude is to dedicate to its oil income, now, its prospective oil income. I'm not talking about the existing royalties and severance taxes which could not support this amount of debt. I'd only point out at this stage, that from the purposes of security or adequately securing a bond offering, the royalties and severance taxes from the North Slope at any rate are not, they're not bankable assets. They're not valuable assets to add security in a completion

undertaking because their realization are completely dependent upon the completion of the pipeline. So, they don't--they would add security if it were in operation and those amounts would be falling, but not much because the backstopping that's needed here is against those that have had some force majeure that result in shutdown of the pipeline.

That's the thing that lenders worry about. They have confidence in the oil companies that they can bring it technically and that they can evaluate the economics, but it's all those other events that they worry about and the reason they ask for the backstopping and the backstopping is, if you will, it's somebody financially capable of paying interest and debt service during periods that nobody can foresee but you still worry about, an earthquake, a shipping strike, a tanker spill that results in an injunction against operation of the pipeline, so it's shut down. Now, when it's shut down, those royalties and severance taxes aren't flowing so they don't add much security to this borrowing that we're talking about.

So, we reluctantly come to the conclusion that the State on the basis of its present resources cannot, CANNOT finance the construction of this pipeline. In our view, if it can be done at all, it has to have the unconditional backstopping of the oil companies. I'm not talking about

a modified truth of it here, I'm talking about the full faith and credit of the several oil companies. I might say here, at this point, the only area in which there's some disagreement in our office, there's some that think it would take the joint and several backstopping to do well. It's not a question of going to something weaker than the normal truth of the thing but it's a question of meaning perhaps something stronger.

A word about the plan proposed by Temple, Barker & Sloane. If that plan doesn't have a completion undertaking it doesn't do any good to say, "Well, the State will pay this on a contract basis," because there still isn't completion. That isn't a completion undertaking by someone financially capable of discharging that undertaking. The State doesn't have the assets to perform that and just consider, if you will, the prospect of maybe the State selling one or two issues in the tax exempt market and then that market getting exhausted. It has a way of doing that. It doesn't take too many repetitive offerings before underwriters say, "Stop. We can't do any more." And those are issues of \$115 and \$200 million. They're considered gigantic in that market. And, then, what happens? So the pipeline's half under construction, all the money has been committed. Who is going to pay the bond holder back? So that plan effectively does

involved the full faith and credit of the oil companies if you would expect that they would go ahead and still complete the project if the State failed to be able to pay. Again, it's sort of a never, never land because it can't happen in the first place. To get people to commit to even the first issue of bonds, you've got to convince professional investors that the last issue will be sold. They've got to see the end of the tunnel and the only basis upon which they would do partial issues would be having a completion undertaking by someone who is financially capable of doing it. If the bond market runs out of money, they can put the money up whether its out of their equity or whatever it is, on their own credit, and that's the strength that you look to to get this done. Now, that is indeed an encumbrance of the credit of the oil companies.

And, I might point out, there was a remark made during the day about this plan that didn't encumber the oil companies. Well, if it doesn't encumber the oil companies, it's no good as securities.

I might just give you another few facts here and then I'll quit. There isn't the underwriting capital in this country to do an issue of \$3.5 million worth of borrowing. The largest bond issue ever underwritten was managed by our firm from a telephone deal last--a year ago January,

of \$500 million. That's the largest underwritten deal ever done in history. It strained the capital of this country to the point and the investment bankers in this country to the point where the calendar had to be lightened around it so people could take these commitments and the next largest deal ever done was the common stock offering which we did for Standard Oil Company of New Jersey early in '69 about \$400 million, and that one strained the capital resources of the industry. As I said before, the telephone offering that the ventures with warrants had to be done on a dealer managership basis simply because it could not be underwritten. So, again, you've got to bear that in mind when you talk lightly about the State doing an issue of \$3.5 billion worth of bonds. There isn't the underwriting capital around to do it.

Other aspects of this plan obviously also entail very considerable delay. There's the delay of this legislation getting passed; the delay of constitutional amendments. That agreement which was talked about, that satisfactory voluntary agreement which was talked about, I don't know how long that would take to negotiate but that would be a long time. Delay adds costs. We've seen, all of us, how the cost of this pipeline has escalated in the last three years while it's been waiting for its

approval in Washington and it's going to continue to do so. Construction costs in this State are recognized to be very high. Construction costs all over the world are escalating in a year. There is going to come a time when the continued delay of this thing is going to hurt and it's going to hurt both you and the oil companies."



# RECORDS



# CERTIFICATION

I, the undersigned, an employee of the State of Alaska, do hereby certify that the microfilm images on this microform are accurate reproductions of the original records of the State of Alaska as accumulated during the regular course of business, and that it is the established policy and practice of this State to microfilm its records and to dispose of the original records after microfilm reproductions have been made.

James O. Smith  
Signature of Camera Operator

4/4/89  
Date

The Legislature of the State of Alaska  
FISCAL NOTE  
Second Session - Seventh State Legislature

I. REQUEST

Bill Identification: CS SSSB 364 and ~~CS 364~~  
 Title: State tax, transportation of oil and gas  
 Requested by: Senate Finance Date: 4/25/72  
 Return Date Requested: 5/1/72  
 Agency: Dept. of Revenue Program: \_\_\_\_\_

COMMITTEE SUBSTITUTE

II. FISCAL DETAIL

Budget Request Unit(s) Affected: \_\_\_\_\_

A. EXPENDITURES: (Thousands of dollars)

OBJECT	FY 72	FY 73	FY 74	FY 75	FY 76	FY 77
100 PERSONAL SERVICES	--	45.3	47.6	49.9	52.5	55.1
200 TRAVEL		5.0	5.3	5.5	5.8	6.1
300 CONTRACTUAL		.4	.4	.4	.5	.5
400 COMMODITIES		.1	.1	.1	.1	.1
500 EQUIPMENT		1.6	--	--	--	--
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC.						
<b>TOTAL</b>	<b>--</b>	<b>52.4</b>	<b>53.4</b>	<b>55.9</b>	<b>58.8</b>	<b>61.8</b>

B. FUNDING: (Thousands of dollars)

GENERAL FUND	--	52.4	53.4	55.9	58.8	61.8
FEDERAL FUNDS						
OTHER						

C. POSITIONS:

PERMANENT/TEMPORARY	- / -	3 /	3 /	3 /	3 /	3 /
MAN MONTHS (P./T.)	- / -	36 /	36 /	36 /	36 /	36 /

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

See memo from Fred Boetsch, Director of Audit, dated  
April 28, 1972.

IV. ATTACHMENTS

V. DATE: April 28, 1972 PREPARED BY: R. D. Stevenson

R. D. Stevenson  
Deputy Commissioner  
Department of Revenue

Original: Legislative Finance  
 cc: Budget and Management  
Prime Sponsor (First Legislator Named)

# STATE OF ALASKA

DEPT. OF REVENUE  
MAY 23 11 55 AM '72  
THE LEGISLATURE

BUDGET AND AUDIT COMMITTEE / JUNEAU 99801

AUDIT DIVISION  
POUCH W — ALASKA OFFICE BUILDING

FINANCE DIVISION  
POUCH WF — STATE CAPITOL

## M E M O R A N D U M

TO: Bob Stevenson  
Deputy Commissioner  
Department of Revenue

DATE: April 25, 1972

FROM: LEGISLATIVE FINANCE  
ROOM 407  
CAPITOL BUILDING

SUBJ: FISCAL NOTE REQUEST

PLEASE COMPLETE THE ATTACHED FISCAL NOTE FOR SB 364 and CS SSSB 364,  
AND RETURN IT TO OUR OFFICE BY 5/1/72.

IN ADDITION TO THE GENERAL INSTRUCTIONS REGARDING FISCAL  
NOTE PREPARATION (REFERENCE OUR MEMO OF \_\_\_\_\_),  
PLEASE OBSERVE THE FOLLOWING:

1. Furnish a concise comparative analysis of the difference in fiscal impact between SB 364 and CS SSSB 364.
2. Coordinate with Local Affairs Agency who will develop estimated costs for administering their portion of this Act.
3. Furnish an analysis of revenues generated by this Act.
4. Other comments or recommendations?

TIMELY RETURN OF THIS INFORMATION IS REQUESTED. HOWEVER,  
IF ADDITIONAL PREPARATION TIME IS REQUIRED, NOTIFY OUR OFFICE  
AS SOON AS POSSIBLE IN ORDER THAT DISCUSSION OF THE PROPOSED LEG-  
ISLATION MAY BE RESCHEDULED TO A LATER DATE.

ATTACHMENTS: (1) FISCAL NOTE  
(2) COPY OF BILL VERSION

CC: BUDGET & MANAGEMENT

## MEMORANDUM

State of Alaska

TO:  R. D. Stevenson  
Deputy Commissioner  
Department of Revenue

DATE : April 13, 1972

FROM: Fred Boetsch, Director  
Audit Division

SUBJECT: SB 364 and CSSSSB 364

I have reviewed SB 364 and CSSSSB 366. The original bill places a property tax on both exploration and transportation equipment used in the oil and gas industry. The Committee Substitute taxes only the transportation equipment. Both provide for a 20 mill rate. The property tax on oil and gas transportation equipment is, of course, the more important source of revenue. The tax on exploration equipment would not bring in anything of the magnitude of the tax on the transportation equipment itself.

If we assume a \$3.5 billion pipeline (current estimates), then this would bring in \$70 million a year at a 20 mill tax rate. If the cost turns out to be \$3 billion, then this would bring in \$60 million per year at the 20 mill tax rate. I do not have any figures on the value of exploration equipment currently on the North Slope or which may plan to be on the North Slope, but assuming that it is as much as \$100 million, the tax on that source would bring in only \$1 or \$2 million. The original bill did not define clearly what constitutes transportation equipment, what should be done in the case of equipment or a facility which is used only partially for oil or gas transportation (e.g., a generating plant) or how to value a transportation facility during its construction phase. The Committee Substitute cures these several defects in the original bill and makes administration of the tax much easier.

The table below indicates estimates of this tax during a construction period starting in July 1973 through July 1977. At that time the pipeline is assumed to have been built to a thru-put level of 600,000 BPD. The property tax should climb gradually after that until 1982 when it reaches a total cost of \$3,453,000 (per report from TAMS). The tax will then yield approximately \$70 million a year. We have assumed a \$3.5 billion pipeline in the following case, since that is the latest cost figure which the State has (no adjustment inflation has been made):

	(\$000 omitted)				
	FY 1973	FY 74	FY 75	FY 76	FY 77
SB 364	<u>11,517.5</u>	<u>17,906.0</u>	<u>32,680.2</u>	<u>49,740.0</u>	<u>59,796.6</u>
CSSSSB 364	<u>9,517.5</u>	<u>15,906.0</u>	<u>30,680.2</u>	<u>47,740.0</u>	<u>57,796.6</u>

This assumes that the first phase (to 600,000 BPD) of the pipeline will be completed in fiscal year 1978.

The administrative problems related to SB 364 have already been alluded to in that it may be difficult to define in many cases what constitutes exploration equipment. Some of the questions that arise are: is a helicopter used to transport geologists and other people a part of exploration property? Should it be taxed by the State or possibly by the borough in which it is stationed, or by both, or by neither? Another problem is trying to identify all the property which may have been involved in exploration during the year. It is possible the property would have moved in and out between various assessment dates and it would be difficult, if not impossible, to identify that property.

On the other hand, CSSSSB 364 refers only to transportation property which is much simpler to identify and, certainly, is less mobile. In addition, the Committee Substitute provides for prorationing of property used partly in oil and gas transportation and partly for other purposes not subject to this tax. It also permits the State to levy the tax during construction in progress. The number of pieces of equipment involved in pipeline transportation are large, fairly easy to identify, and to value. The value of the pipeline based on construction in progress can be easily ascertained from Aleyeska's records since normally all capital projects in oil companies are controlled by a single AFE (Authorization for Expenditure) which, in effect, acts as a project cost accounting ledger.

During the years of construction it would be necessary to have at least one Field Auditor working full time to keep up with the cost accounting for the pipeline. After the end of construction in 1977 or 1978 this person could be transferred to our other tax programs which will have grown enough by then to justify an additional Field Auditor. In addition, I have allowed for an additional Collection Agent and a Clerk Typist II to handle necessary correspondence and files for both the Field Auditor and the Field Agent. The costs of these administrative areas are delineated on the face of the Fiscal Note in part 2. This does not include additional costs of assessment by the State Assessor's Office. Those costs are the subject of a separate Fiscal Note from Bob Dozier. These assumptions are based on CSSSSB 364 which, as noted above, would be much simpler to administer than the original SB 364.

However, assuming that SB 364 were to pass, then the other Fiscal Note for that bill indicates the cost of administration which would include a Property Tax Investigator, a Field Auditor, two Collection Agents and the Clerk Typist II. The Property tax Investigator would be necessary to make on-the-spot checks of property being used in exploration activities and the additional Collection Agents would be necessary to enforce collection of property taxes on the several different companies which might be doing exploratory work. Of course, as it stands now, limiting the tax to the transportation facilities alone would also limit the number of taxpayers with which we would have to deal. Expanding it to exploratory activities as well would increase greatly the number of taxpayers since many exploration groups are either operating under contract or wildcatting on their own.

FPB:mbc  
Attachments

The Legislature of the State of Alaska  
FISCAL NOTE  
Second Session - Seventh State Legislature

I. REQUEST

Bill Identification: SB 364  
 Title: Oil exploration property tax  
 Requested by: Legislative Finance Date: 4/25/72  
 Return Date Requested: 5/1/72  
 Agency: Department of Revenue Program: \_\_\_\_\_

ORIGINAL BILL

II. FISCAL DETAIL

Budget Request Unit(s) Affected: Individual and Business Taxes

A. EXPENDITURES: (Thousands of dollars)

OBJECT	FY 72	FY 73	FY 74	FY 75	FY 76	FY 77
100 PERSONAL SERVICES	--	82.4	86.5	90.8	95.4	100.1
200 TRAVEL		8.5	8.9	9.3	9.8	10.3
300 CONTRACTUAL		.8	.8	.9	.9	1.0
400 COMMODITIES		.2	.2	.2	.2	.2
500 EQUIPMENT		2.8	--	--	--	--
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC.						
<b>TOTAL</b>	<b>--</b>	<b>94.7</b>	<b>96.4</b>	<b>101.2</b>	<b>106.3</b>	<b>111.6</b>

B. FUNDING: (Thousands of dollars)

GENERAL FUND	--	94.7	96.4	101.2	106.3	111.6
FEDERAL FUNDS						
OTHER						

C. POSITIONS:

PERMANENT/TEMPORARY	/	5 /	5 /	5 /	5 /	5 /
MAN MONTHS (P./T.)	/	60 /	60 /	60 /	60 /	60 /

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

See memo from Fred Boetsch, Director, dated April 28, 1972.

IV. ATTACHMENTS

V. DATE: April 28, 1972 PREPARED BY: \_\_\_\_\_

R. D. Stevenson  
Deputy Commissioner  
Department of Revenue

Original: Legislative Finance  
 cc: Budget and Management  
Prime Sponsor (First Legislator Named)

# STATE OF ALASKA

THE LEGISLATURE

BUDGET AND AUDIT COMMITTEE

AUDIT DIVISION  
POUCH 17 — ALASKA OFFICE BUILDING

FINANCE DIVISION  
POUCH WF — STATE CAPITOL

JUNEAU 99801

## MEMORANDUM

TO: Bob Stevenson  
Deputy Commissioner  
Department of Revenue

DATE: April 25, 1972

FROM: LEGISLATIVE FINANCE  
ROOM 407  
CAPITOL BUILDING

SUBJ: FISCAL NOTE REQUEST

PLEASE COMPLETE THE ATTACHED FISCAL NOTE FOR SB 364 and CS SSSB 364,  
AND RETURN IT TO OUR OFFICE BY 5/1/72.

IN ADDITION TO THE GENERAL INSTRUCTIONS REGARDING FISCAL  
NOTE PREPARATION (REFERENCE OUR MEMO OF \_\_\_\_\_),  
PLEASE OBSERVE THE FOLLOWING:

1. Furnish a concise comparative analysis of the difference in fiscal impact between SB 364 and CS SSSB 364.
2. Coordinate with Local Affairs Agency who will develop estimated costs for administering their portion of this Act.
3. Furnish an analysis of revenues generated by this Act.
4. Other comments or recommendations?

TIMELY RETURN OF THIS INFORMATION IS REQUESTED. HOWEVER,  
IF ADDITIONAL PREPARATION TIME IS REQUIRED, NOTIFY OUR OFFICE  
AS SOON AS POSSIBLE IN ORDER THAT DISCUSSION OF THE PROPOSED LEG-  
ISLATION MAY BE RESCHEDULED TO A LATER DATE.

ATTACHMENTS: (1) FISCAL NOTE  
(2) COPY OF BILL VERSION

CC: BUDGET & MANAGEMENT

V. DATE: \_\_\_\_\_ PREPARED BY: \_\_\_\_\_

Original: Legislative Finance  
cc: Budget and Management  
Prime Sponsor (First Legislator Named)

# STATE OF ALASKA

THE LEGISLATURE

BUDGET AND AUDIT COMMITTEE

AUDIT DIVISION  
FOUCH W — ALASKA OFFICE BUILDING

FINANCE DIVISION  
FOUCH WF — STATE CAPITOL

JUNEAU 99801

## MEMORANDUM

TO: Warren Wiley  
Administrative Asst.  
Office of the Governor  
Att: Local Affairs Agency

DATE: April 25, 1972

FROM: LEGISLATIVE FINANCE  
ROOM 407  
CAPITOL BUILDING

SUBJ: FISCAL NOTE REQUEST

PLEASE COMPLETE THE ATTACHED FISCAL NOTE FOR SB 364 and CS SSSB 364,  
AND RETURN IT TO OUR OFFICE BY 5/1/72.

IN ADDITION TO THE GENERAL INSTRUCTIONS REGARDING FISCAL  
NOTE PREPARATION (REFERENCE OUR MEMO OF \_\_\_\_\_),  
PLEASE OBSERVE THE FOLLOWING:

1. Furnish a concise explanation of tentative administrative regulations and procedures that your agency will develop to implement this Act if it becomes law. Coordinate with Bob Stevenson, Deputy Commissioner, Dept. of Revenue regarding areas of overlapping or common responsibility.
2. Furnish estimated costs of administering this law.
3. Other comments or recommendations.

TIMELY RETURN OF THIS INFORMATION IS REQUESTED. HOWEVER,  
IF ADDITIONAL PREPARATION TIME IS REQUIRED, NOTIFY OUR OFFICE  
AS SOON AS POSSIBLE IN ORDER THAT DISCUSSION OF THE PROPOSED LEG-  
ISLATION MAY BE RESCHEDULED TO A LATER DATE.

ATTACHMENTS: (1) FISCAL NOTE  
(2) COPY OF BILL VERSION

CC: BUDGET & MANAGEMENT

V. DATE: \_\_\_\_\_ PREPARED BY: \_\_\_\_\_

Original: Legislative Finance  
cc: Budget and Management  
Prime Sponsor (First Legislator Named)

Introduced: 3/3/72  
Referred: Local Government

1 IN THE SENATE

BY THE RULES COMMITTEE  
BY REQUEST

2 SENATE BILL NO. 364

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 SEVENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act providing for a state tax on property used in  
7 connection with exploration for and transportation of  
8 unrefined oil and gas; and providing for an effective  
9 date."

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

11 \* Section 1. AS 43 is amended by adding a new chapter to read:

12 CHAPTER 56. OIL AND GAS EXPLORATION AND  
13 TRANSPORTATION PROPERTY TAX.

14 Sec. 43.56.010. LEVY OF TAX. An annual tax of 20 mills is  
15 levied each tax year, beginning January 1, 1973, on the full and true  
16 value of all the taxable real and personal property employed in the  
17 state in the exploration for and transportation of unrefined oil and  
18 gas, except that the tax levied under this section does not apply to  
19 property with respect to which an ad valorem tax is payable to a city  
20 or borough on January 1, 1972 and on January 1 of any succeeding year  
21 during which a tax is levied under this section.

22 Sec. 43.56.020. EXEMPTIONS. In addition to property excluded  
23 under sec. 90(6) of this chapter, the following property is exempt  
24 from the tax levied under this chapter:

- 25 (1) producing oil or gas leases;  
26 (2) machinery, appliances and equipment used in and around  
27 a well producing oil or gas and actually used in the operation of a  
28 well; and  
29 (3) oil and gas produced in the state upon which gross