

Leg. Finance - House & Senate Finance Comte Files (1973-74) 8879

HB 171 cont., 172, 176 219

The deductions and exemptions utilized in computing the taxable income of residents are unchanged. However, these sections have been rearranged to provide more consistency.

This bill also re-enacts AS 43.20.040 which currently defines taxable income from sources within the state. The section has been redrafted to provide a more precise definition of what constitutes a business situs within the state. It provides that income derived from an Alaska business by a non-resident owner or partner is taxable in Alaska, closing a loophole in the present law.

The bill further provides that corporations receiving 50 per cent or more of their income from within Alaska will be allowed a business deduction for the salaries of nonresident officers or directors only if this income is reported and taxed in Alaska.

The proposed bill also re-enacts AS 43.20.199 relating to publicity and access to income tax information in substantially its original form except that the amendment limits the required production of income tax information to court proceedings which are initiated primarily for the enforcement of the revenue laws. The present statute would appear to permit the use of tax returns in any civil or criminal litigation, and we feel that the taxpayer's right to privacy warrants a limitation of access to this information. The redrafted section on property and access also clarifies the authority of the Commissioner of Revenue to exchange tax information with the multi-state tax commission.

The remaining sections of the bill provide additional definitions of terms which were not previously defined in the revenue code and make other minor technical amendments.

Sincerely,

William A. Egan
Governor

POOR COPY

ALASKA STATE LEGISLATURE

EIGHTH Legislature SECOND Session
FIRST Session

HOUSE BILL NO. 171

By THE RULES COMMITTEE
BY REQUEST OF THE GOVERNOR

"An Act relating to the Alaska
Income Tax; and providing for
an effective date."

CSHB 171 BY FINANCE

Offered: 2/21/74
Referred: Rules

TITLE: Same

Alaska Income Tax

Introduced in the House, 1973

HISTORY IN THE HOUSE

19 73	Feb 2	Read first time and referred to Committee on Finance
	Feb 27	Reported back with recommendation that <i>Finance dropped to Rules</i>
	Feb 27	Read second time and <i>held one day</i>
	Feb 28	<i>held one day</i>
	Mar 1	<i>CSHB 171</i>
	Mar 7	Read third time and
	Mar 12	Reconsideration taken up
		Yea 32 Nays 1 Absent 1 Excused 5
		PASS
		Effective Date
		Yea / Nays / Absent / Excused /
	Mar 12	Reported correctly engrossed
	" 12	Signed by Speaker
	" 12	Sent to Senate

Sharon Carter
CHIEF CLERK OF THE HOUSE

HISTORY IN THE SENATE

19 74		Read first time and referred to Committee on
		Reported back with recommendation that
		Read second time and
		Read third time and
		Yea Nays Absent Excused
		PASS
		Effective Date
		Yea Nays Absent Excused
		PASS
		Reported correctly engrossed
		Signed by President
		Returned to House

SECRETARY OF THE SENATE

HISTORY IN THE HOUSE

19		Received from Senate
		Reported correctly enrolled
		Sent to Governor
		By Governor
		Filed with Lt. Governor
		Chapter No.



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

4/26/89
Date

Introduced: 2/2/73
Referred: Finance

1 IN THE HOUSE

BY THE RULES COMMITTEE BY
REQUEST OF THE GOVERNOR

2

HOUSE BILL NO. 172

3

IN THE LEGISLATURE OF THE STATE OF ALASKA

4

EIGHTH LEGISLATURE - FIRST SESSION

5

A BILL

6

For an Act entitled: "An Act relating to computation of taxable income
7 under the Alaska net income tax; and providing for
8 an effective date."

9

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

10

* Section 1. AS 43.20 is amended by adding a new section to read:

11

Sec. 43.20.025. INVESTMENT CREDIT DISALLOWED. For purposes of

12

calculating the income tax payable under this chapter, the taxpayer

13

may not apply as a credit against his tax liability the job development

14

investment credit allowed as to federal taxes under Internal Revenue

15

Code sec. 50.

16

* Sec. 2. This Act is retroactive to January 1, 1973 and relates only

17

to income earned and received after December 31, 1972.

18

* Sec. 3. This Act takes effect on the day after its passage and

19

approval or on the day it becomes law without approval.

20

21

22

23

24

25

26

27

28

29

Original Sponsor: Rules Committee by
Request of the Governor

Offered: 2/20/74
Referred: Rules

1 IN THE HOUSE

BY THE FINANCE COMMITTEE

2 CS FOR HOUSE BILL NO. 172

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 EIGHTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to computation of taxable income
7 under the Alaska net income tax; and providing for
8 an effective date."

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

10 * Section 1. AS 43.20 is amended by adding a new section to read:

11 Sec. 43.20.025. INVESTMENT CREDIT LIMITATION. For purposes of
12 calculating the income tax payable under this chapter, the taxpayer
13 may apply as a credit against his tax liability the job development
14 investment credit allowed as to federal taxes under Internal Revenue
15 Code sec. 50 upon only the first \$50,000 of qualified investment put
16 into use for each taxable year.

17 * Sec. 2. This Act is retroactive to January 1, 1974 and relates only
18 to income earned and received after December 31, 1973.

19 * Sec. 3. This Act takes effect on the day after its passage and
20 approval or on the day it becomes law without approval.

21
22
23
24
25
26
27
28
29

January 31, 1973

The Honorable Tom Fink
Speaker of the House
Alaska State Legislature
Juneau, Alaska 99801

Dear Mr. Speaker:

Pursuant to the Uniform Rules of the Legislature I am transmitting a bill which, while still allowing Alaska business corporations full benefit of the federal "investment credit" provision contained in Internal Revenue Code sec. 50, will enable the state to again be in control of its own computation of Alaska income taxes. The problem is that the investment credit provision for federal income tax, of which state income tax is computed as a percentage, was enacted following establishment of the state income tax formula. This changed the level of state income tax received without the state having any say in the matter. Further, the purpose served by the federal exemption is not served by carrying this same provision into Alaska law. The investment credit is designed principally to benefit large industrial corporations and to stimulate their modernization of outmoded equipment. It has a checkered history even in the federal Internal Revenue Code, being deleted in 1969 because of dubious worth in its intended purpose and then recently was re-enacted.

The amount of any additional taxes which corporations might pay to the state by reason of elimination of the credit would be deductible from their federal income tax. They will continue to have full benefit of the federal credit, which is five times the amount that would be allowed by the state under existing revenue provisions.

At the same time, this change will have a very significant favorable effect on the state's revenues. The projections of the Department of Revenue indicate that the elimination of this credit will increase corporate tax receipts by approximately \$2,000,000 per year during the next several years. It is estimated that this additional revenue income will exceed \$7,500,000 in the year of the completion of the pipeline.

The Honorable Tom Fink -2- January 31, 1973

A similar proposal was submitted during the last legislative session and passed the House.

Approximately 60 per cent of the additional revenue which will be generated by the adoption of this bill will be drawn from out-of-state corporations and the effect will be to make additional funds available to stimulate the state's economy.

Sincerely,

William A. Egan
Governor

STATE
of ALASKA

MEMORANDUM

TO: R. D. Stevenson
Commissioner
Department of Revenue

DATE: February 7, 1974

FROM: Frederick P. Boetsch
Director
Audit Division

SUBJECT: HB 172

FPB

At your request I have reviewed our research on House Bill 172 which proposes to repeal the investment credit allowed under Section 50 of the Internal Revenue Code and which, by reference, applies to the determination of Alaska Income Tax.

I have attached a worksheet showing the latest projections of the amount of investment credit which could be taken during various fiscal years from 1974 through 1979. You will note that the primary difference between these projections and last years' projections occurs in 1974. This is due to delay in construction of the line. The primary reason for the difference in the eligible investment credit in the year of the completion of the pipeline (1978) is due to a decrease in the apportionment factor for Alaska.

The projections are based on a normal growth rate on the basis of our most recent projections of corporate tax collections exclusive of the pipeline and other effects; the investment credit directly related to equipment used in the construction of the pipeline and the line and related facilities themselves; and Alaska's share of other oil company equipment which would be invested by the seven major oil companies on a world-wide basis, but of which Alaska would receive an apportionable share. The normal investment credit rate of 16.8263% was derived from statistics provided by the Internal Revenue Service as indicated on the attached worksheet and represent an average investment credit in a relation to the net taxes paid.

I have also included on the worksheet the results of a statistical sampling study that was done by Arne Bue and Jack Horsley of several corporation returns in order to determine the percentage of credit which has been historically taken by Alaskan based corporations and out-of-state corporations. That percentage has been projected into these figures and adjusted for what we know to be exclusively credits which may be taken by outside corporations.

During the fiscal years 1975 through 1979, we estimate that the total credit which may be taken and the total reduction therefore in corporate income tax collections will exceed 15 million dollars. With the increase in business done in Alaska by outside corporations the percentage which is allocable to them (and which reflects a reduction in funds coming into the state's economy as a whole) will steadily increase.

FPB:jf

Attachment

House Bill 172
 Repeal of Investment Credit
 Projection of Revenue Effects

FY	1974	1975	1976	1977	1978	1979
Corporate Tax Collections						
Normal Projection	\$ 7,645,400	\$ 8,328,000	\$ 9,224,072	\$10,180,032	\$11,372,476	\$16,479,232
Normal Investment Credit @ 16.8263%(1)	<u>1,286,438</u>	<u>1,401,294</u>	<u>1,552,070</u>	<u>1,712,922</u>	<u>1,913,567</u>	<u>2,772,845</u>
Pipeline Related Credit:						
Cost of Equipment (Alaska's Share)		40,000,000	50,000,000	20,000,000	240,000,000	--
Investment Credit (1.26%)		<u>504,000</u>	<u>630,000</u>	<u>252,000</u>	<u>3,024,000</u>	--
Other Oil Co. Equipment:						
Cost (Alaska's Share)					60,000,000	60,000,000
Investment Credit (1.26%)					<u>756,000</u>	<u>756,000</u>
TOTAL INVESTMENT CREDIT	<u>\$ 1,286,438</u>	<u>\$ 1,905,294</u>	<u>\$ 2,182,070</u>	<u>\$ 1,964,922</u>	<u>\$ 5,693,567</u>	<u>\$ 3,528,845</u>
Percent of Credit Taken by:						
Alaska Corps.	40	29	28	35	13	31
Outside Corps.	<u>60</u>	<u>71</u>	<u>72</u>	<u>65</u>	<u>87</u>	<u>69</u>
TOTAL	<u>100</u>	<u>100</u>	<u>100</u>	<u>100</u>	<u>100</u>	<u>100</u>

(1) Computation of Investment Credit as a % of Tax Collections (Based on Federal Statistics (A) (\$000 omitted)

Taxable Income	\$ 93,432,590
Tax @ 48%	\$ 44,847,643
Less: Surtax Exemption 165,866 @ 6,500 (B)	<u>1,078,290</u>
Net Tax Before Investment Credit	43,769,353
Net Tax After I. C.	<u>37,465,337</u>
Investment Credit	<u>\$ 6,304,016</u>
I. C. as a % of Net Tax	<u>16.8263</u>

(A) Except as noted in (B) the above figures are taken or derived from P. 208 Statistics of Income 1969, Business Income Tax Returns, Dept. of Treasury, Internal Revenue Service, Pub. 438 (10-72).

(B) Ibid, P. 213; firms with gross over \$1,000,000 and average net over \$25,000.

Committee Report

S E N A T E

2/25/74

_____ Date

Mr. President:

The Committee on FINANCE has had CSHB 172
(taxable income under Alaska net income tax)
under consideration. A majority of the members of the Committee

- recommends it do pass
- recommends it do not pass
- recommends it do pass with attached amendment(s)
- recommends it be replaced with CS for _____ and that
CS for _____ do pass
- (and) recommends it be referred to the _____
committee
- reports it back without recommendation
- (other) _____

MEMBERS SIGNING THE MAJORITY REPORT:

MEMBERS NOT CONCURRING IN THE MAJORITY REPORT:

_____ recommends:
_____ recommends:
_____ recommends:
_____ recommends:
_____ recommends:

_____ CHAIRMAN

AGO 798230 +

Original Sponsor: Rules Committee by
Request of the Governor

Offered: 2/20/74
Referred: Rules

1 IN THE HOUSE

BY THE FINANCE COMMITTEE

2 CS FOR HOUSE BILL NO. 172

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 EIGHTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to computation of taxable income
7 under the Alaska net income tax; and providing for
8 an effective date."

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

10 * Section 1. AS 43.20 is amended by adding a new section to read:

11 Sec. 43.20.025. INVESTMENT CREDIT LIMITATION. For purposes of
12 calculating the income tax payable under this chapter, the taxpayer
13 may apply as a credit against his tax liability the job development
14 investment credit allowed as to federal taxes under Internal Revenue
15 Code sec. 50 upon only the first \$50,000 of qualified investment put
16 into use for each taxable year.

17 * Sec. 2. This Act is retroactive to January 1, 1974 and relates only
18 to income earned and received after December 31, 1973.

19 * Sec. 3. This Act takes effect on the day after its passage and
20 approval or on the day it becomes law without approval.

"HOUSE FINANCE COMMITTEE REPORT

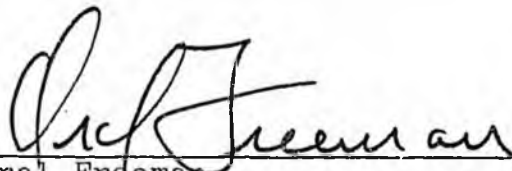
ON

COMMITTEE SUBSTITUTE

FOR

HOUSE BILL NO. 172

The House Finance Committee has had HB 172 under consideration and recommends it be replaced with COMMITTEE SUBSTITUTE FOR HOUSE BILL 172. The principal change in the COMMITTEE SUBSTITUTE from HB 172 is the retention of the investment tax credit for the first \$50,000 of qualified investment. The COMMITTEE SUBSTITUTE also updates the retroactive provision by one year.



Oral Freeman
Chairman, House Finance Committee"

1-B 172

January 31, 1973

The Honorable Tom Fink
Speaker of the House
Alaska State Legislature
Juneau, Alaska 99801

Dear Mr. Speaker:

Pursuant to the Uniform Rules of the Legislature I am transmitting a bill which, while still allowing Alaska business corporations full benefit of the federal "investment credit" provision contained in Internal Revenue Code sec. 50, will enable the state to again be in control of its own computation of Alaska income taxes. The problem is that the investment credit provision for federal income tax, of which state income tax is computed as a percentage, was enacted following establishment of the state income tax formula. This changed the level of state income tax received without the state having any say in the matter. Further, the purpose served by the federal exemption is not served by carrying this same provision into Alaska law. The investment credit is designed principally to benefit large industrial corporations and to stimulate their modernization of outmoded equipment. It has a checkered history even in the federal Internal Revenue Code, being deleted in 1969 because of dubious worth in its intended purpose and then recently was re-enacted.

The amount of any additional taxes which corporations might pay to the state by reason of elimination of the credit would be deductible from their federal income tax. They will continue to have full benefit of the federal credit, which is five times the amount that would be allowed by the state under existing revenue provisions.

At the same time, this change will have a very significant favorable effect on the state's revenues. The projections of the Department of Revenue indicate that the elimination of this credit will increase corporate tax receipts by approximately \$2,000,000 per year during the next several years. It is estimated that this additional revenue income will exceed \$7,500,000 in the year of the completion of the pipeline.

The Honorable Tom Fink -2- January 31, 1973

A similar proposal was submitted during the last legislative session and passed the House.

Approximately 60 per cent of the additional revenue which will be generated by the adoption of this bill will be drawn from out-of-state corporations and the effect will be to make additional funds available to stimulate the state's economy.

Sincerely,

William A. Egan
Governor

POOR COPY

ALASKA STATE LEGISLATURE

EIGHTH Legislature ^{SECOND} FIRST Session

HOUSE BILL NO. 172

By THE RULES COMMITTEE BY REQUEST OF THE GOVERNOR

"An Act relating to computation of taxable income under the Alaska net income tax; and providing for an effective date."

CSHB 172 BY FINANCE

Offered: 2/20/74
Referred: Rules

TITLE: Same

Taxable income/net income tax

Introduced in the House 2/2/ , 19 73

HISTORY IN THE HOUSE

19 73

Feb 2

Read first time and referred to Committee on

Finance

1974

Feb 20

Reported back with recommendation that

Finance Report of CSNB 172 to Rules

Feb 22

Read second time and

CSNB 172 (same title) adopted

Feb 22

Read third time and

PASS 21 : Yeas 32
Nays 2
Absent 1
Excused 6

Effective Date

PASS 22 : Yeas
Nays
Absent
Excused

Feb 22

22

22

22

Reported correctly engrossed
Signed by Speaker
Sent to Senate

Sharon Carlson
CHIEF CLERK OF THE HOUSE

HISTORY IN THE SENATE

19 73

2/2

Read first time and referred to Committee on

Reported back with recommendation that

Read second time and

Read third time and

PASS : Yeas
Nays
Absent
Excused

Effective Date

PASS : Yeas
Nays
Absent
Excused

Reported correctly engrossed
Signed by President
Returned to House

SECRETARY OF THE SENATE

HISTORY IN THE HOUSE

19

Received from Senate

Reported correctly enrolled

Sent to Governor

By Governor

Filed with Lt. Governor

Chapter No.



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

4/26/89
Date

"An Act relating to computation of taxable income under the Alaska net income tax; and providing for an effective date."

COMMITTEE REPORT

2-2-73

HOUSE

Mr. Speaker:

Date 2-2-73

The Committee on FINANCE has had HB 172

under consideration. A Majority of the members of the Committee

recommends it DO PASS

recommends it DO NOT PASS

recommends it DO PASS WITH ATTACHED AMENDMENT(S)

recommends it BE REPLACED WITH CS FOR _____ AND THAT

CS FOR _____ DO PASS

"and" recommends it BE REFERRED TO THE _____

COMMITTEE

reports it back WITHOUT RECOMMENDATION

"other"

Members signing the Majority report:

<u>[Signature]</u>	_____	_____
<u>[Signature]</u>	<u>[Signature]</u>	_____
<u>[Signature]</u>	_____	_____
<u>[Signature]</u>	_____	_____

Members NOT concurring in the Majority report:

_____ recommends: _____

_____ recommends: _____

_____ recommends: _____

_____ recommends: _____

_____ recommends: _____

[Signature] Chairman



JUNEAU ALASKA

Alaska State Legislature
House

FINANCE COMMITTEE BILL ASSIGNMENT

TO: Representative Saylor DATE: February 5, 1973
House Finance Committee

FROM: Earl D. Hillstrand
Chairman
House Finance Committee

BILL NO.: HOUSE BILL 172

TITLE: "An Act relating to computation of taxable income under the
Alaska net income tax; and providing for an effective date."

COMMENTS: This bill has been referred to you for your review
and research and eventual presentation to the
committee for their consideration.

AGO 798214

Introduced: 2/2/73
Referred: Finance

1 IN THE HOUSE

BY THE RULES COMMITTEE BY
REQUEST OF THE GOVERNOR

2

HOUSE BILL NO. 172

3

IN THE LEGISLATURE OF THE STATE OF ALASKA

4

EIGHTH LEGISLATURE - FIRST SESSION

5

A BILL

6

For an Act entitled: "An Act relating to computation of taxable income
under the Alaska net income tax; and providing for
an effective date."

7

8

9

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

10

* Section 1. AS 43.20 is amended by adding a new section to read:

11

Sec. 43.20.025. INVESTMENT CREDIT DISALLOWED. For purposes of
calculating the income tax payable under this chapter, the taxpayer
may not apply as a credit against his tax liability the job development
investment credit allowed as to federal taxes under Internal Revenue
Code sec. 50.

12

13

14

15

16

* Sec. 2. This Act is retroactive to January 1, 1973 and relates only
to income earned and received after December 31, 1972.

17

18

* Sec. 3. This Act takes effect on the day after its passage and
approval or on the day it becomes law without approval.

19

20

21

22

23

24

25

26

27

28

29

Original Sponsor: Rules Committee
by Request of the Governor

1 IN THE HOUSE

BY THE FINANCE COMMITTEE

2 COMMITTEE SUBSTITUTE

3 FOR HOUSE BILL NO. 172

4 IN THE LEGISLATURE OF THE STATE OF ALASKA

5 EIGHTH LEGISLATURE - FIRST SESSION

6 A BILL

7 For an Act entitled: "An Act relating to computation of taxable income
8 under the Alaska net income tax; and providing for
9 an effective date."

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

11 * Section 1. AS 43.20 is amended by adding a new section to read:

12 Sec. 43.20.025. INVESTMENT CREDIT LIMITATION. For purposes of
13 calculating the income tax payable under this chapter, the taxpayer
14 may apply as a credit against his tax liability the job development
15 investment credit allowed as to federal taxes under Internal Revenue
16 Code sec. 50 upon only the first \$50,000 of qualified investment put
17 into use for each taxable year. .

18 * Sec. 2. This Act is retroactive to January 1, 1974 and relates only
19 to income earned and received after December 31, 1973.

20 * Sec. 3. This Act takes effect on the day after its passage and
21 approval or on the day it becomes law without approval.

22
23
24
25
26
27
28
29
30
31
32
33
34
35
36
37
38
39
40
41
42
43
44
45
46
47
48
49
50
51
52
53
54
55
56
57
58
59
60
61
62
63
64
65
66
67
68
69
70
71
72
73
74
75
76
77
78
79
80
81
82
83
84
85
86
87
88
89
90
91
92
93
94
95
96
97
98
99
100
101
102
103
104
105
106
107
108
109
110
111
112
113
114
115
116
117
118
119
120
121
122
123
124
125
126
127
128
129
130
131
132
133
134
135
136
137
138
139
140
141
142
143
144
145
146
147
148
149
150
151
152
153
154
155
156
157
158
159
160
161
162
163
164
165
166
167
168
169
170
171
172
173
174
175
176
177
178
179
180
181
182
183
184
185
186
187
188
189
190
191
192
193
194
195
196
197
198
199
200
201
202
203
204
205
206
207
208
209
210
211
212
213
214
215
216
217
218
219
220
221
222
223
224
225
226
227
228
229
230
231
232
233
234
235
236
237
238
239
240
241
242
243
244
245
246
247
248
249
250
251
252
253
254
255
256
257
258
259
260
261
262
263
264
265
266
267
268
269
270
271
272
273
274
275
276
277
278
279
280
281
282
283
284
285
286
287
288
289
290
291
292
293
294
295
296
297
298
299
300
301
302
303
304
305
306
307
308
309
310
311
312
313
314
315
316
317
318
319
320
321
322
323
324
325
326
327
328
329
330
331
332
333
334
335
336
337
338
339
340
341
342
343
344
345
346
347
348
349
350
351
352
353
354
355
356
357
358
359
360
361
362
363
364
365
366
367
368
369
370
371
372
373
374
375
376
377
378
379
380
381
382
383
384
385
386
387
388
389
390
391
392
393
394
395
396
397
398
399
400
401
402
403
404
405
406
407
408
409
410
411
412
413
414
415
416
417
418
419
420
421
422
423
424
425
426
427
428
429
430
431
432
433
434
435
436
437
438
439
440
441
442
443
444
445
446
447
448
449
450
451
452
453
454
455
456
457
458
459
460
461
462
463
464
465
466
467
468
469
470
471
472
473
474
475
476
477
478
479
480
481
482
483
484
485
486
487
488
489
490
491
492
493
494
495
496
497
498
499
500
501
502
503
504
505
506
507
508
509
510
511
512
513
514
515
516
517
518
519
520
521
522
523
524
525
526
527
528
529
530
531
532
533
534
535
536
537
538
539
540
541
542
543
544
545
546
547
548
549
550
551
552
553
554
555
556
557
558
559
560
561
562
563
564
565
566
567
568
569
570
571
572
573
574
575
576
577
578
579
580
581
582
583
584
585
586
587
588
589
590
591
592
593
594
595
596
597
598
599
600
601
602
603
604
605
606
607
608
609
610
611
612
613
614
615
616
617
618
619
620
621
622
623
624
625
626
627
628
629
630
631
632
633
634
635
636
637
638
639
640
641
642
643
644
645
646
647
648
649
650
651
652
653
654
655
656
657
658
659
660
661
662
663
664
665
666
667
668
669
670
671
672
673
674
675
676
677
678
679
680
681
682
683
684
685
686
687
688
689
690
691
692
693
694
695
696
697
698
699
700
701
702
703
704
705
706
707
708
709
710
711
712
713
714
715
716
717
718
719
720
721
722
723
724
725
726
727
728
729
730
731
732
733
734
735
736
737
738
739
740
741
742
743
744
745
746
747
748
749
750
751
752
753
754
755
756
757
758
759
760
761
762
763
764
765
766
767
768
769
770
771
772
773
774
775
776
777
778
779
780
781
782
783
784
785
786
787
788
789
790
791
792
793
794
795
796
797
798
799
800
801
802
803
804
805
806
807
808
809
810
811
812
813
814
815
816
817
818
819
820
821
822
823
824
825
826
827
828
829
830
831
832
833
834
835
836
837
838
839
840
841
842
843
844
845
846
847
848
849
850
851
852
853
854
855
856
857
858
859
860
861
862
863
864
865
866
867
868
869
870
871
872
873
874
875
876
877
878
879
880
881
882
883
884
885
886
887
888
889
890
891
892
893
894
895
896
897
898
899
900
901
902
903
904
905
906
907
908
909
910
911
912
913
914
915
916
917
918
919
920
921
922
923
924
925
926
927
928
929
930
931
932
933
934
935
936
937
938
939
940
941
942
943
944
945
946
947
948
949
950
951
952
953
954
955
956
957
958
959
960
961
962
963
964
965
966
967
968
969
970
971
972
973
974
975
976
977
978
979
980
981
982
983
984
985
986
987
988
989
990
991
992
993
994
995
996
997
998
999
1000

HOUSE FINANCE COMMITTEE REPORT

ON

COMMITTEE SUBSTITUTE

FOR

HOUSE BILL NO. 172

The House Finance Committee has had HB 172 under consideration and recommends it be replaced with COMMITTEE SUBSTITUTE FOR HOUSE BILL 172. The principal change in the COMMITTEE SUBSTITUTE from HB 172 is the retention of the investment tax credit for the first \$50,000 of qualified investment. The COMMITTEE SUBSTITUTE also updates the retroactive provision by one year.

Oral Freeman
Chairman, House Finance Committee

January 31, 1973

The Honorable Tom Fink
Speaker of the House
Alaska State Legislature
Juneau, Alaska 99801

Dear Mr. Speaker:

Pursuant to the Uniform Rules of the Legislature I am transmitting a bill which, while still allowing Alaska business corporations full benefit of the federal "investment credit" provision contained in Internal Revenue Code sec. 50, will enable the state to again be in control of its own computation of Alaska income taxes. The problem is that the investment credit provision for federal income tax, of which state income tax is computed as a percentage, was enacted following establishment of the state income tax formula. This changed the level of state income tax received without the state having any say in the matter. Further, the purpose served by the federal exemption is not served by carrying this same provision into Alaska law. The investment credit is designed principally to benefit large industrial corporations and to stimulate their modernization of outmoded equipment. It has a checkered history even in the federal Internal Revenue Code, being deleted in 1969 because of dubious worth in its intended purpose and then recently was re-enacted.

The amount of any additional taxes which corporations might pay to the state by reason of elimination of the credit would be deductible from their federal income tax. They will continue to have full benefit of the federal credit, which is five times the amount that would be allowed by the state under existing revenue provisions.

At the same time, this change will have a very significant favorable effect on the state's revenues. The projections of the Department of Revenue indicate that the elimination of this credit will increase corporate tax receipts by approximately \$2,000,000 per year during the next several years. It is estimated that this additional revenue income will exceed \$7,500,000 in the year of the completion of the pipeline.

The Honorable Tom Fink -2- January 31, 1973

A similar proposal was submitted during the last legislative session and passed the House.

Approximately 60 per cent of the additional revenue which will be generated by the adoption of this bill will be drawn from out-of-state corporations and the effect will be to make additional funds available to stimulate the state's economy.

Sincerely,

William A. Egan
Governor

STATE OF ALASKA

WILLIAM A. EGAN, GOVERNOR

DEPARTMENT OF REVENUE

OFFICE OF THE COMMISSIONER

POUCH 5 — JUNEAU 99801

February 27, 1973

The Honorable Earl Hillstrand
Chairman, House Finance Committee
Alaska State Legislature
State Capitol
Juneau, Alaska 99801

Re: House Bill No. 172

Dear Representative Hillstrand:

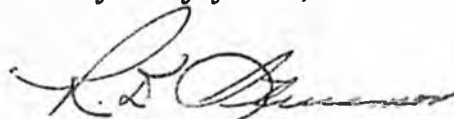
House Bill No. 172 was introduced by the Rules Committee at the request of Governor William A. Egan on February 2, 1973.

The proposed legislation deals with the computation of taxable income under the Alaska net income tax. The bill in particular provides on a State basis for the elimination of the federal "investment credit" provision contained in the Internal Revenue Code, section 50.

For the information of your committee, I am enclosing a memorandum from Fred Boetsch, Director, Audit Division of the Department of Revenue explaining the purpose of the bill and disclosing effect on the State's revenues for the fiscal years 1974 through 1978.

In the event you have any questions on the material submitted, kindly advise. I will be most happy to have Fred Boetsch, Director, Audit Division, testify in your committee on the provisions of the proposed legislation.

Very truly yours,



R. D. Stevenson
Acting Commissioner

RDS: agm
Enclosure

AGO 798221 +

STATE
of ALASKA

MEMORANDUM

DEPT. OF REVENUE
RECEIVEDTO: R. D. Stevenson
Acting Commissioner

FEB 27 11 51 AM '73

DATE : February 27, 1973

DEPT. OF REVENUE
ALASKA
FILE _____FROM: Fred Boetsch, Director
Audit Division

SUBJECT: HB 172

This bill which, while still allowing Alaska business corporations full benefit of the federal "investment credit" provision contained in Internal Revenue Code Sec. 50, will enable the state to again be in control of its own computation of Alaska income taxes. The problem is that the investment credit provision for federal income tax, of which state income tax is computed as a percentage, was enacted following establishment of the state income tax formula. This changed the level of state income tax received without the state having any say in the matter. Further, the purpose served by the federal credit is not served by carrying this same provision into Alaska law. The investment credit is designed principally to benefit large industrial corporations and to stimulate their modernization of outmoded equipment. It has a checkered history even in the federal Internal Revenue Code, being deleted in 1969 because of dubious worth in its intended purpose and then recently was re-enacted.

The amount of any additional taxes which corporations might pay to the state by reason of elimination of the credit would be deductible from their federal income tax. They will continue to have full benefit of the federal credit, which is five times the amount that would be allowed by the state under existing revenue provisions.

At the same time, this change will have a very significant favorable effect on the state's revenues. The projections are as follows:

NET COLLECTIONS
(\$000 omitted)

	<u>FY 74</u>	<u>FY 75</u>	<u>FY 76</u>	<u>FY 77</u>	<u>FY 78</u>
Projection without investment credit	\$9,349.5	\$9,939.9	\$10,450.9	\$20,040.8	\$22,968.4
Current projections	7,594.7	8,007.1	8,643.2	10,673.1	21,160.7
Net gain in revenue	<u>\$1,754.8</u>	<u>\$1,932.8</u>	<u>\$ 1,807.7</u>	<u>\$ 9,367.7</u>	<u>\$ 1,807.7</u>

A similar proposal was submitted during the last legislative session and passed the House.

Approximately 60 per cent of the additional revenue which will be generated by the adoption of this bill will be drawn from out-of-state corporations and the effect will be to make additional funds available to stimulate the state's economy.

FPB:mbc

160 798222 A.

STATE
of ALASKA

MEMORANDUM

TO:

R. D. Stevenson
Commissioner
Department of Revenue

DATE : February 7, 1974

FROM: Frederick P. Boetsch
Director
Audit Division

SUBJECT: HB 172

FPB

At your request I have reviewed our research on House Bill 172 which proposes to repeal the investment credit allowed under Section 50 of the Internal Revenue Code and which, by reference, applies to the determination of Alaska Income Tax.

I have attached a worksheet showing the latest projections of the amount of investment credit which could be taken during various fiscal years from 1974 through 1979. You will note that the primary difference between these projections and last years' projections occurs in 1974. This is due to delay in construction of the line. The primary reason for the difference in the eligible investment credit in the year of the completion of the pipeline (1978) is due to a decrease in the apportionment factor for Alaska.

The projections are based on a normal growth rate on the basis of our most recent projections of corporate tax collections exclusive of the pipeline and other effects; the investment credit directly related to equipment used in the construction of the pipeline and the line and related facilities themselves; and Alaska's share of other oil company equipment which would be invested by the seven major oil companies on a world-wide basis, but of which Alaska would receive an apportionable share. The normal investment credit rate of 16.8263% was derived from statistics provided by the Internal Revenue Service as indicated on the attached worksheet and represent an average investment credit in a relation to the net taxes paid.

I have also included on the worksheet the results of a statistical sampling study that was done by Arne Bue and Jack Horsley of several corporation returns in order to determine the percentage of credit which has been historically taken by Alaskan based corporations and out-of-state corporations. That percentage has been projected into these figures and adjusted for what we know to be exclusively credits which may be taken by outside corporations.

During the fiscal years 1975 through 1979, we estimate that the total credit which may be taken and the total reduction therefore in corporate income tax collections will exceed 15 million dollars. With the increase in business done in Alaska by outside corporations the percentage which is allocable to them (and which reflects a reduction in funds coming into the state's economy as a whole) will steadily increase.

FPB:jf

Attachment

House Bill 172
 Repeal of Investment Credit
 Projection of Revenue Effects

FY	<u>1974</u>	<u>1975</u>	<u>1976</u>	<u>1977</u>	<u>1978</u>	<u>1979</u>
Corporate Tax Collections Normal Projection	\$ 7,645,400	\$ 8,328,000	\$ 9,224,072	\$10,180,032	\$11,372,476	\$16,479,232
Normal Investment Credit @ 16.8263%(1)	<u>1,286,438</u>	<u>1,401,294</u>	<u>1,552,070</u>	<u>1,712,922</u>	<u>1,913,567</u>	<u>2,772,845</u>
Pipeline Related Credit:						
Cost of Equipment (Alaska's Share)		40,000,000	50,000,000	20,000,000	240,000,000	--
Investment Credit (1.26%)		<u>504,000</u>	<u>630,000</u>	<u>252,000</u>	<u>3,024,000</u>	--
Other Oil Co. Equipment:						
Cost (Alaska's Share)					60,000,000	60,000,000
Investment Credit (1.26%)					<u>756,000</u>	<u>756,000</u>
TOTAL INVESTMENT CREDIT	<u>\$ 1,286,438</u>	<u>\$ 1,905,294</u>	<u>\$ 2,182,070</u>	<u>\$ 1,964,922</u>	<u>\$ 5,693,567</u>	<u>\$ 3,528,845</u>
Percent of Credit Taken by:						
Alaska Corps.	40	29	28	35	13	31
Outside Corps.	<u>60</u>	<u>71</u>	<u>72</u>	<u>65</u>	<u>87</u>	<u>69</u>
TOTAL	<u>100</u>	<u>100</u>	<u>100</u>	<u>100</u>	<u>100</u>	<u>100</u>

(1) Computation of Investment Credit as a % of Tax Collections (Based on Federal Statistics (A) (\$000 omitted)).

Taxable Income	\$ 93,432,590
Tax @ 48%	\$ 44,847,643
Less: Surtax Exemption 165,865 @ 6,500 (B)	<u>1,078,290</u>
Net Tax Before Investment Credit	43,769,353
Net Tax After I. C.	<u>37,465,337</u>
Investment Credit	<u>\$ 6,304,016</u>
I. C. as a % of Net Tax	<u>16.8263</u>

(A) Except as noted in (B) the above figures are taken or derived from P. 208, Statistics of Income 1969, Business Income Tax Returns, Dept. of Treasury, Internal Revenue Service, Pub. 438 (10-72).

(B) Ibid, P. 213; firms with gross over \$1,000,000 and average net over \$25,000.



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

4/26/89
Date

Original sponsors: Hartig, J. Miller,
Union, et al

Offered: 2/15/73
Referred: Finance

1 IN THE HOUSE

BY THE JUDICIARY COMMITTEE

2 CS FOR HOUSE BILL NO. 176

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 EIGHTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act making a special appropriation to the Depart-
7 ment of Public Safety for the establishment of a unit
8 of narcotic drugs enforcement; and providing for an
9 effective date."

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

11 * Section 1. The sum of \$350,000 is appropriated from the general fund
12 to the Department of Public Safety for the purpose of establishing a unit of
13 narcotic drugs enforcement in the criminal investigation bureau, division
14 of state troopers.

15 * Sec. 2. If federal or other program receipts are received for ex-
16 penditure on the narcotic drugs enforcement program, the appropriated state
17 funds shall be reduced by the amount of the receipts, provided the reductions
18 are not inconsistent with applicable federal statutes.

19 * Sec. 3. The unexpended and unobligated portion of this appropriation
20 lapses into the general fund June 30, 1974.

21 * Sec. 4. This Act takes effect July 1, 1973.
22
23
24
25
26
27
28
29

Introduced: 2/2/73
Referred: Judiciary and
Finance

BY HARTIG, J. MILLER, URION,
LAKTONEN, RANDOLPH, HACKNEY,
ELIASON, FINK, FISCHER, FRITZ,
HUBER AND ORSINI

1 IN THE HOUSE

2 HOUSE BILL NO. 176

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 EIGHTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act making a special appropriation to the Depart-
7 ment of Public Safety for the establishment of a unit
8 of narcotics and dangerous drugs enforcement; and
9 providing for an effective date."

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

11 * Section 1. The sum of \$500,000 is appropriated from the general fund to
12 the Department of Public Safety for the purpose of establishing a unit of
13 narcotics and dangerous drugs enforcement in the criminal investigation
14 bureau, division of state troopers.

15 * Sec. 2. The unexpended and unobligated portion of this appropriation
16 lapses into the general fund June 30, 1974.

17 * Sec. 3. This Act takes effect July 1, 1973.

18
19
20
21
22
23
24
25
26
27
28
29

COMMITTEE REPORT

3/17/73

SENATE

Mr. President:

Date 3/30/73

The Committee on FINANCE has had CSHB 175 enrolled
enrolled Dept. Public Safety - unit of narcotic drugs enforcement
under consideration. A Majority of the members of the Committee

- recommends it DO PASS
- recommends it DO NOT PASS
- recommends it DO PASS WITH ATTACHED AMENDMENT(S)
- recommends it BE REPLACED WITH CS FOR _____ AND THAT
CS FOR _____ DO PASS
- "and" recommends it BE REFERRED TO THE _____
COMMITTEE
- reports it back WITHOUT RECOMMENDATION
- "other"

Members signing the Majority report:

<u>[Signature]</u>	<u>[Signature]</u>	_____
<u>[Signature]</u>	<u>[Signature]</u>	_____
<u>[Signature]</u>	<u>[Signature]</u>	_____
<u>[Signature]</u>	<u>[Signature]</u>	_____

Members NOT concurring in the Majority report:

_____ recommends:

_____ recommends:

_____ recommends:

_____ recommends:

_____ recommends:

[Signature] Chairman

The Legislature of the State of Alaska
FISCAL NOTE
First Session - Eighth Legislature

I. REQUEST

Bill Identification: HB 176 and CS
 Title: Appropriation for drug enforcement unit
 Requested by: Legislative Finance Date: 2/16/75
 Return Date Requested: 2/26/73
 Agency: Public Safety Program: _____

II. FISCAL DETAIL

Budget Request Unit(s) Affected: _____

A. EXPENDITURES: (Thousands of dollars)

OBJECT	FY 73	FY 74	FY 75	FY 76	FY 77	FY 78
100 PERSONAL SERVICES		156.4				
200 TRAVEL		41.4				
300 CONTRACTUAL		45.6				
400 COMMODITIES		81.6				
500 EQUIPMENT		25.0				
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC.						
TOTAL		350.0				

B. FUNDING: (Thousands of dollars)

GENERAL FUND		350.0				
FEDERAL FUNDS						
OTHER						

C. POSITIONS:

PERMANENT/TEMPORARY	/	10/	/	/	/	/
MAN MONTHS (P./T.)	/	120/	/	/	/	/

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

The estimated costs of this project are based on current prices and salaries.

Budget is included in Attachment A

IV. ATTACHMENTS

"A" Budget

V. DATE: March 2, 1973 PREPARED BY: Stanley D. Stauffer

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

Attachment A

A. Salaries and Wages (Object Code - 100)

<u>Position</u>		<u>Monthly</u>	<u>Annual</u>
(1) Supervisor	(Anch - Range 18 Step C)	\$1,362.00	\$16,344.00
(1) Trooper	(Fbx - Range 16 Step C)	1,313.00	15,756.00
* (3) Trooper	(Anch - Range 16 Step C)	1,176.00	42,336.00
(3) Trooper Undercover Officers	(Anch - Range 16 Step A)	1,092.00	39,312.00
(1) Clerk Typist III	(Anch - Range 8 Step C)	652.00	7,824.00
(1) Clerk Typist III	(Fbx - Range 8 Step C)	729.00	<u>8,738.00</u>
			\$130,310.00

*NOTE: Three trooper positions presently are in CIB assigned to drugs investigations.

Benefits @ 20% = \$25,062.00

Sub Total \$156,372.00

B. Travel and Per Diem (Object Code - 200)

\$30.00 per day per diem for 3 investigators and 3 undercover officers for 160 days per person, plus per diem for supervisor... \$33,600.00

Travel for supervisor, investigators, and undercover officers within state (average \$200 per trip) 25 trips... \$5,000.00

Travel for supervisor to lower 48 for coordination and intelligence with other law enforcement agencies - 8 trips... \$2,400.00

Sub Total \$41,000.00

C. Consultants and Contractual Services (Object Code 300)

Car Rental - 3 cars Anch @ \$200/month, 12¢/mile (500 miles/month)
1 car Fbx @ \$225/month, 14¢/mile (500 miles/month) 1 car
statewide @ \$225/month, 14¢/mile... \$16,440.00

Lab Service, 1,000 tests @ \$28.00 per test... \$28,000.00

Test Kits @ \$28.00 per refill (20 kits, 2 refills per year for CIB and local Departments test kits....) \$1,120.00

Sub Total \$45,560.00

D. Supplies and Operating Expenses (Object Code 400)

* Buy money for drugs	\$70,000.00
Communications (telephone).....	600.00
Marijuana Dog Expense	4,000.00
Purchase 2 additional dogs	7,000.00
<u>Sub Total</u>	<u>\$81,600.00</u>

* Note: Existing budget has \$3,000 set aside in this area.

E. Equipment (Object Code 500)

Radios, tape recorders, etc.	\$25,000.00
<u>Grand Total</u>	<u>\$349,532.00</u>

* Crime Reduction Fund

4A

FY 74

COMPONENT
OPERATING EXPENDITURES
BY OBJECT

AGENCY	CATEGORY	code	ADMIN. OF JUSTICE
PUBLIC SAFETY	PROGRAM	62	PATROL, DET. & APPR.
DIVISION	SUB-PROGRAM		
STATE TROOPERS	ELEMENT		
	SUB-ELEMENT		

ACCOUNTING CODE

CODE	EXPENDITURE BY OBJECT	FY 72 ACTUAL	FY 73 AUTHORIZED	FY 74				
				AGENCY			GOVERNOR'S BUDGET	LEGISLATIVE ALLOWANCE
				Maintenance	Change	Request		
100	PERSONAL SERVICES					156.4		
200	TRAVEL					41.4		
300	CONTRACTUAL SERVICES					45.6		
400	COMMODITIES					81.6		
500	EQUIPMENT					25.0		
600	LANDS, BUILDINGS, IMPROVEMENTS							
700	GRANTS, CLAIMS, SHARED REVENUE							
800	MISCELLANEOUS							
	TOTAL					350.0		
	INTER-AGENCY TRANSFERS							
FUNDING SOURCE	FEDERAL RECEIPTS							
	REQUIRED GENERAL FUND MATCHING							
	OTHER GENERAL FUND					350.0		
	INTER-AGENCY TRANSFERS							
	OTHER:							
POSITIONS	PERMANENT FULL-TIME					10		
	PERMANENT PART-TIME							
	TEMPORARY (IF FULL-TIME EQUIVALENTS)							
	NUMBERS OF MAN-MONTHS					120		



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

4/26/89
Date

"An Act making a special appropriation to the Department of Public Safety for the establishment of a unit of narcotics and dangerous drugs enforcement; and providing for an effective date."

COMMITTEE REPORT

R-15-73

HOUSE

Mr. Speaker:

Date 7/18/73

The Committee on FINANCE has had HB 176

under consideration. A Majority of the members of the Committee

recommends it DO PASS

recommends it DO NOT PASS

recommends it DO PASS WITH ATTACHED AMENDMENT(S)

recommends it BE REPLACED WITH CS FOR _____ AND THAT

CS FOR _____ DO PASS

"and" recommends it BE REFERRED TO THE _____

COMMITTEE

reports it back WITHOUT RECOMMENDATION

"other"

Members signing the Majority report:

_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____

Members NOT concurring in the Majority report:

_____ recommends:

_____ recommends:

_____ recommends:

_____ recommends:

_____ recommends:

_____ Chairman

MEMORANDUM

State of Alaska

TO:

Finance Committee

DEPT. _____

DIV. _____

SEC. _____

DATE : March 30, 1973

FROM: Earl Hillstrand

SUBJECT: HCS SB 107
HCS SB 108

The attached bills are identical to HB 176 which was passed from the Finance Committee as follows:

Do pass with attached amendment - Haugen, Freeman, Specking, Ose and Barber.

Do not pass - Hillstrand, Ferguson.

No Rec. - Warwick.

Introduced: 2/2/73
Referred: Judiciary and
Finance

BY HARTIG, J. MILLER, URION,
LAKTONEN, RANDOLPH, HACKNEY,
ELIASON, FINK, FISCHER, FRITZ,
HUBER AND ORSINI

1 IN THE HOUSE

2 HOUSE BILL NO. 176

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 EIGHTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act making a special appropriation to the Depart-
7 ment of Public Safety for the establishment of a unit
8 of narcotics and dangerous drugs enforcement; and
9 providing for an effective date."

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

11 * Section 1. The sum of \$500,000 is appropriated from the general fund to
12 the Department of Public Safety for the purpose of establishing a unit of
13 narcotics and dangerous drugs enforcement in the criminal investigation
14 bureau, division of state troopers.

15 * Sec. 2. The unexpended and unobligated portion of this appropriation
16 lapses into the general fund June 30, 1974.

17 * Sec. 3. This Act takes effect July 1, 1973.
18
19
20
21
22
23
24
25
26
27
28
29

Original sponsors: Hartig, J. Miller,
Urion, et al

Offered: 2/15/73
Referred: Finance

1 IN THE HOUSE

BY THE JUDICIARY COMMITTEE

2 CS FOR HOUSE BILL NO. 176

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 EIGHTH LEGISLATURE - FIRST SESSION

5 , BILL

6 For an Act entitled: "An Act making a special appropriation to the Depart-
7 ment of Public Safety for the establishment of a unit
8 of narcotic drugs enforcement; and providing for an
9 effective date."

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

11 * Section 1. The sum of \$350,000 is appropriated from the general fund
12 to the Department of Public Safety for the purpose of establishing a unit of
13 narcotic drugs enforcement in the criminal investigation bureau, division
14 of state troopers.

15 * Sec. 2. The unexpended and unobligated portion of this appropriation
16 lapses into the general fund June 30, 1974.

17 * Sec. 3. This Act takes effect July 1, 1973.

18

19

20

21

22

23

24

25

26

27

28

29



JUNEAU ALASKA

Alaska State Legislature
House

FINANCE COMMITTEE BILL ASSIGNMENT

TO: Representative Specking DATE: February 15, 1973
House Finance Committee

FROM: Earl D. Hillstrand
Chairman
House Finance Committee

BILL NO.: HB 176

TITLE: An Act making a special appropriation to the Dept. of
Public Safety for the establishment of a unit of narcotics
and dangerous drugs enforcement; effective date.

COMMENTS: This bill has been referred to you for your review
and research and eventual presentation to the
committee for their consideration.



Alaska State Legislature
House

JUNEAU ALASKA

Mr. Olof K. Hellen
Assistant Public Defender
Public Defender Agency
Pouch AE
Juneau, Alaska 99801

Dear Mr. Hellen:

This will acknowledge receipt of your letter of February 7, 1973 on the subject of House Bill 176.

Representative Frank Ferguson has been assigned this area of concern, and he will inform you of the time and place of any hearings that he will have.

Sincerely,

FINANCE COMMITTEE

Earl Hillstrand
Chairman

EH/sb

cc: Representative Ferguson

STATE OF ALASKA
OFFICE OF THE GOVERNOR

TO Department of

- Administration
- Commerce
- Economic Development
- Education
- Env. Conservation
- Fish and Game
- Health & Social Svcs.
- Highways
- Labor
- Law
- Military Affairs
- Natural Resources
- Public Safety
- Public Works
- Revenue
- House Finance

ATTN: Rep. Hillstrand

- Return letter w/draft
- Return letter w/comment
- Reply direct
- Your information
- Call me
- Appropriate action

REMARKS:

From: Walter K. Hellen Date: 2/8/75
Public Defender Agency

STATE OF ALASKA

PUBLIC DEFENDER AGENCY

WILLIAM A. EGAN, GOVERNOR

Pouch AE
Juneau, Alaska
99801

February 7, 1973

The Honorable Earl D. Hillstrand
Chairman
House Finance Committee
Pouch V
Juneau, Alaska 99801

Dear Representative Hillstrand:

I understand that House Bill 176, making a special appropriation to the Department of Public Safety for the establishment of a unit of narcotics and dangerous drugs enforcement, has been referred to your committee.

I would like to testify on this legislation on behalf of the Alaska Public Defender Agency.

Please inform me of the time and place of committee hearings so that I can make myself available.

Very truly yours,



OLOF/K. HELLEN
Assistant Public Defender

cc: Herbert D. Soll, Esq.
Public Defender

The Legislature of the State of Alaska
FISCAL NOTE
First Session - Eighth Legislature

I. REQUEST

Bill Identification: HB 176 and CS
 Title: Appropriation for drug enforcement unit
 Requested by: Legislative Finance Date: 2/16/73
 Return Date Requested: 2/26/73
 Agency: Public Safety Program: _____

II. FISCAL DETAIL

Budget Request Unit(s) Affected: _____

A. EXPENDITURES: (Thousands of dollars)

OBJECT	FY 73	FY 74	FY 75	FY 76	FY 77	FY 78
100 PERSONAL SERVICES		156.4				
200 TRAVEL		41.4				
300 CONTRACTUAL		45.6				
400 COMMODITIES		81.6				
500 EQUIPMENT		25.0				
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC.						
TOTAL		350.0				

B. FUNDING: (Thousands of dollars)

GENERAL FUND		350.0				
FEDERAL FUNDS						
OTHER						

C. POSITIONS:

PERMANENT/TEMPORARY	/	10/	/	/	/	/
MAN MONTHS (P./T.)	/	120/	/	/	/	/

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

The estimated costs of this project are based on current prices and salaries.

Budget is included in Attachment A

IV. ATTACHMENTS

"A" Budget

V. DATE: March 2, 1973 PREPARED BY: Stanley D. Stauffer

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

Attachment A

A. Salaries and Wages (Object Code - 100)

<u>Position</u>		<u>Monthly</u>	<u>Annual</u>
(1) Supervisor	(Anch - Range 18 Step C)	\$1,362.00	\$16,344.00
(1) Trooper	(Fbx - Range 16 Step C)	1,313.00	15,756.00
* (3) Trooper	(Anch - Range 16 Step C)	1,176.00	42,336.00
(3) Trooper Undercover Officers	(Anch - Range 16 Step A)	1,092.00	39,312.00
(1) Clerk Typist III	(Anch - Range 8 Step C)	652.00	7,824.00
(1) Clerk Typist III	(Fbx - Range 8 Step C)	729.00	<u>8,738.00</u>
			\$130,310.00

*NOTE: Three trooper positions presently are in CIB assigned to drugs investigations.

Benefits @ 20% = \$26,062.00

Sub Total \$156,372.00

B. Travel and Per Diem (Object Code - 200)

\$30.00 per day per diem for 3 investigators and 3 undercover officers for 160 days per person, plus per diem for supervisor... \$33,600.00

Travel for supervisor, investigators, and undercover officers within state (average \$200 per trip) 25 trips... \$5,000.00

Travel for supervisor to lower 48 for coordination and intelligence with other law enforcement agencies - 8 trips... \$2,400.00

Sub Total \$41,000.00

C. Consultants and Contractual Services (Object Code 300)

Car Rental - 3 cars Anch @ \$200/month, 12¢/mile (500 miles/month)
1 car Fbx @ \$225/month, 14¢/mile (500 miles/month) 1 car
statewide @ \$225/month, 14¢/mile... \$16,440.00

Lab Service, 1,000 tests @ \$28.00 per test... \$28,000.00

Test Kits @ \$28.00 per refill (20 kits, 2 refills per year for CIB and local Departments test kits....) \$1,120.00

Sub Total \$45,560.00

D. Supplies and Operating Expenses (Object Code 400)

* Buy money for drugs	\$70,000.00
Communications (telephone).....	600.00
Marijuana Dog Expense	4,000.00
Purchase 2 additional dogs	7,000.00
<u>Sub Total</u>	<u>\$81,600.00</u>

* Note: Existing budget has \$3,000 set aside in this area.

E. Equipment (Object Code 500)

Radios, tape recorders, etc.	\$25,000.00
<u>Grand Total</u>	<u>\$349,532.00</u>

* Crime Reduction Fund

4A

FY 74

COMPONENT
OPERATING EXPENDITURES
BY OBJECT

AGENCY	CATEGORY	code	06	ADMIN. OF JUSTICE
PUBLIC SAFETY	PROGRAM	62		PATROL, DET. & APPR.
DIVISION	SUB-PROGRAM			
STATE TROOPERS	ELEMENT			
	SUB-ELEMENT			

ACCOUNTING CODE

CODE	EXPENDITURE BY OBJECT	FY 72 ACTUAL	FY 73 AUTHORIZED	FY 74				
				AGENCY			GOVERNOR'S BUDGET	LEGISLATIVE ALLOWANCE
				Maintenance	Change	Request		
100	PERSONAL SERVICES					156.4		
200	TRAVEL					41.4		
300	CONTRACTUAL SERVICES					45.6		
400	COMMODITIES					81.6		
500	EQUIPMENT					25.0		
600	LANDS, BUILDINGS, IMPROVEMENTS							
700	GRANTS, CLAIMS, SHARED REVENUE							
800	MISCELLANEOUS							
	TOTAL					350.0		
	INTER-AGENCY TRANSFERS							
FUNDING SOURCE	FEDERAL RECEIPTS							
	REQUIRED GENERAL FUND MATCHING							
	OTHER GENERAL FUND					350.0		
	INTER-AGENCY TRANSFERS							
	OTHER:							
POSITIONS	PERMANENT FULL-TIME					10		
	PERMANENT PART-TIME							
	TEMPORARY (IF FULL-TIME EQUIVALENTS)							
	NUMBERS OF MAN-MONTHS					120		

TO THE HOUSE FINANCE COMMITTEE:

DRUG USE AND CONTROL: 1973

A SUMMARY by paul fahs & chip thoma

We have taken an active interest in proposed drug legislation this year because we have grown up in the era of mushrooming drug use among older people and among the young people we have lived with. As a result of this experience we are knowledgeable and concerned. At the outset let us say that if you are to legislate to reduce drug abuse in Alaska you must be aware of the effects of drugs, their current availability, and the attitudes of people using them.

In its simplest explanation, drug use in the U.S. is a combination of social and economic conditions, advertising, and the huge profits made from the sale of drugs. Drugs are BIG business. The by-products are some pleasurable physical sensations, an easy escape from reality and a lot of crime.

TREATMENT AND LEGISLATION:

Before the Senate State Affairs committee, Chip advocated a community directed campaign to contact drug addicts, be privy to their condition, and offer assistance. Two days later Judge Ochipinti announced a program so similar that we heartily agree and hope for the best results. Only with the cooperation of the addict will his addiction be cured. Addiction is an illness. Therefore, money must be made available for rehabilitation programs as has also been proposed this session.

Drugs are an extremely complex force in society that simple enforcement methods cannot change. We would like to make a few points concerning bills that have been proposed:

SB108 (Lewis, Harris) and HB176 (Hartig et al) ,
written by the Department of Public Safety:

•The House Judiciary Committee has removed "dangerous" (read: marijuana) from the title and intent; the intent of the bill is now narcotic drugs (read: heroin, cocaine, etc.)

•Because heroin is pure when it enters the United States, and dilutants such as lactose are then added for sales, the volume of heroin needed to supply all addicts in the state for one year is no larger than a box of soap flakes, and can be carried easily in one piece of luggage or flown over the border in light aircraft or brought in anywhere along Alaska's long coastline by boat. It is foolish to believe that we can stop the product from reaching the market.

•Any serious attempt to stop the flow of heroin means stopping every vehicle passing through the border and every passenger arriving on a plane for a thorough check. This procedure would play havoc with our tourist industry. Can you imagine cars and campers backed up for 10 miles at Beaver creek? That is exactly what happened in Mexico during Operation Intercept - a similar operation. Of the arrests they made (3000 of them) 99% were for marijuana. Operation Intercept was stopped at the insistence of the Mexican government because their tourist trade was declining drastically.

•The legislation does not deal with the military bases, a large, and perhaps the major source of hard drugs in Alaska. Presently, 80% of the heroin in the U.S. comes from S.E. Asia. Eilson and Elmendorf Air Force Bases are stopover points for flights to the east coast from S.E. Asia.

CONCLUSION:

The Public Safety Department-written bill does not consider 1) the virtual impossibility of stopping the small volume of heroin Alaskan addicts need, nor 2) the military related sources of heroin in Alaska, nor 3) does Public Safety recognize the much greater abuse of amphetamines and barbiturates. You must realize that we are a pill-oriented society, and the children we are trying to protect are more prone to take a pill than use heroin. The mixture of barbiturates and alcohol can be extremely dangerous and has caused death. Both of these drugs are readily available. They are legal.

Moreover, Public Safety has no specific plan for reducing drug use in Alaska. Their plan is departmental expansion of monies and manpower only. This, of course, is rational behavior for any bureaucracy - to entrench and expand. Were drugs a less emotional issue, perhaps you would require a little more scrutiny before allocating funds. There is no reason to believe that their elusive program will work. It has failed in 49 other states. In essence, \$350,000 for this bill is a waste of money. The creativity exhibited by Judge Ochipinti is cheaper and insure tangible results if rehabilitation programs are adequately funded.

PROPOSALS ON FOLLOWING PAGE

P R O P O S A L S

1. Pass a resolution urging Congress to strictly regulate the production of amphetamines, barbiturates and other "legal" drugs. Perhaps stricter State legislation on prescription of hard "legal" drugs is also possible.
2. Contact military authorities to see if they can stop the "heroin pipeline" from S.E. Asia to Alaska through the Air Force Bases. If this major source of heroin supply can be kept from entering Alaska it will greatly diminish the need for over-staffed police forces.
3. Reconsider HB 176 on the following points:

a. Any serious attempt to "seal off the borders" would mean thoroughly searching every person and vehicle coming into the state. Spot checking of long-hairs and "undesirables" will not catch the heroin coming into the state. The real dope runners are smarter than that.

Even were it possible to thoroughly search every person and vehicle coming into Alaska, the effect on our tourist industry will be disastrous. Operation Intercept on the Mexican border was stopped for this very reason. Given our present economic situation, neither our state's economy nor our state tax roles could take this extra strain. The following statistics on tourism in the state economy are from the Tourism Division, Department of Economic Development for 1972:

Tourism is the 4th largest industry in the State. The total economic impact of tourism is \$262,500,000.00 or 13.5% of the Alaska Gross Product. The employment impact of tourism is 13,050 jobs for Alaskans. The state received \$9,000,000.00 in Direct Revenue taxes. This is not counting taxes on monies from a multiplier effect of 2.5 times on money spent in the state by tourists. Projections are for a 300% increase in the number of tourists visiting Alaska by 1980. (Our economy and tax roles need this growth.)

b. The addict contact (voluntary treatment) program has been very successful in Anchorage and is very cheap. It is very possible that persuasion is a more effective tool for getting addicts to treatment than increased paranoia from more dogs and police would be. Let's try it for a year anyway - then if we need more force we can apply it at that time. Give the programs working right now in Anchorage a chance.

c. Consider the motives of Public Safety in insisting on funds for a dubious enforcement program. Remember, they are like any other bureaucracy. The budget will be very tight this year and the real needs of people in other areas are a better investment in our human resource than these police programs.

d. If you do fund HB 176 then require a report from Public Safety 1 year from now stating the results of their program. Legislators should then check these results against their stated objectives. If the money is being wasted the appropriation should be cut at that time.

4. If you pass HB 176, continue to push the amendment "creation of a special narcotics control unit within the State Police" rather than "narcotics and dangerous drugs control unit" is stated in the Senate version of the bill.
5. Make appropriations where we know the money will bring some results. HB 263 would adequately fund treatment programs for Anchorage that will allow them to capture total appropriations of \$1,100,000.00 from Federal matching funds. This program could in 1 year in Anchorage detoxify 390 addicts, Maintain 85 on methadone, and maintain contacts with 245 ex-addicts in an abstinence program after they have become drug free. Under HB 263 funds would also be available to Fairbanks and other communities in the state should their areas become a problem.
6. Seek more information on innovative ways to control drugs. Please keep your minds open.

Jack Heesch
Director,
Greater Anchorage Area Borough Drug Abuse Management Board
Speaking before the House Finance Committee March 12, 1973:

..."In Anchorage, the police Department give a conservative estimate of 400-500 heroin addicts in the Anchorage area. Of these, 350 of them are known to the police by name and address. Their contact list to bring people in for treatment was 250 when they started but is now at 350 addicts.

Representative Bierne asked me to try to give you some kind of an estimate of what it would take to meet that kind of a crunch. Let me add that Anchorage has been working for the past year and a half a comprehensive drug treatment program, especially over the past four months since we heard of the addict contact program. That plan included such things as adolescent counselling, we went from that end of the spectrum to the other end of the spectrum which included treatment rehab for long-term hard-core heroin addicts. So what I did was merely pull out the sections that spoke to hard-core addiction and put them all together and came up with the document you all just received. which speaks to \$376,000 worth of State money. This program would meet the needs of the projections by the Police Department in that it would take care of exactly....what we would be able to do is place 85 people in the Methadone program, detoxify a total of 390 people, and maintain, and I mean by maintaining contact with in a prescriptive program, prescriptive program in an on-going program - abstinence program (drug free) not methadone program, an additional 245 people.

This in my estimation is - if in fact the police program, the outreach program, the addict contact program, does push that many people into treatment, and it looks at this point that it will, this would be what I would consider a bare-bones minimum program, to meet that need.

The cost of the total would be \$470,000, and the local share of that would be 20% and the rest would be State money. The cost to the state would be \$376,000.

Dr. Helen Bierne Speaking: "I have a question, I understood, Jack, that this would be the immediate amount, but that a portion of this could become the matching funds which would bring in the Federal funds that you've been working for after January 1, 1973."

Jack Heesch: "Right. What this would do is to meet the need which is present right now, provide enough funds for all of these programs for 1 year. We anticipate that by January, certainly not before, we'll have federal funds. The balance which has not been spent by January 1, which would probably be 50%, of the \$376,000 would then be applied as matching funds for federal money - to capture a total of \$1,100,000.00 in both federal and state money."

Dr. Helen Bierne: "\$376,000 then, would allow you to continue on, and produce as of January 1, in-patient detox, in the hospital; residential care through the therapeutic community, (family house) the methadone maintenance program and then all the abstinence programs."

Jack Heesch: "right."

Dr. Helen Bierne: "Mr. Chairman, I have another question. This sort of addresses itself only to the Anchorage area, so I'd like to hear from Mr. Heesch how this this will pertain to the whole state, AND in fact if any methadone is to be done in Fairbanks, or if this Arctic village couldn't be kept going."

Jack Heesch: "Not on the \$376,000. That would be strictly for Anchorage. Now, that's not to say that people from Fairbanks or from anywhere else in the state couldn't come to Anchorage and get treatment. However, it would be somewhat difficult to just pickup and move to Anchorage so they could get on methadone program. Certainly, the residential program would accept people from anywhere in the state. On the other hand, I can't think that that would negate the need for program in other communities in the state that do need programs."

Dr. Helen Bierne: "Mr. Heesch, would it be possible for any of the rest of the communities in the state to get matching federal funds?"

Jack Heesch: "The programs I have been working on are for Anchorage, but other communities could apply for federal funds."

Rep Frank Ferguson: "Representative Hartig, in your bill for \$500,000 your plan is to go through the borough also?"

Rep. Hartig: "Its through the HEW, through their Drug Abuse, and of course, if they want to work through the borough that's fine."

Note: the authorization of \$500,000 through HB 263 is the minimum needed to make the contact program effective.

Representative Hartig (later on in the committee meeting) "We need this money for the addict contact program. If it is not there, the people will go to jail."

prepared by paul fuhs \$ chip thoma

Submitted

3/13/73

Chip Thomas

We have spent a great deal of time researching this material, but we have a quick moving narration ready for this committee.

Our purpose is to inform you about heroin and heroin-related crime, the difficulties of law enforcement in this area, ways heroin can be smuggled into Alaska, and specific criticisms of SB 108 and HB 176. We will also go into attitudes of the heroin addict and how this is an especially important area to recognize, as it is the key to solving their addiction. Mr. Fuhs will present information on the "Heroin Pipeline" that exists between SE Asia and the United States, and how the military is closely involved in this major source of supply. Mr. Fuhs was an Army Intelligence ~~officer~~ ^{agent} and is a fluent Vietnamese linguist. Finally we will describe how legal drugs, amphetamines and barbituates, are the real, potentially greater danger in our society.

Both Mr. Fols and myself have a genuine concern over hard drug use in our state, ~~the~~ and our feelings are always to see that the use of heroin is eliminated here, be it by the addicts own choice, strict enforcement methods, or both. Always, our intent is to present you the scope of the problem. We will make specific ~~for~~ proposals at the end of our presentation.

TEXT

There are more than 300,000 addicts in the United States, and up to $\frac{1}{3}$ or 100,000 of them are teenagers. Fully $\frac{1}{3}$ of the addict population lives in New York City.

Heroin is the major killer of young people between the ages of 18 and 35, outpacing death from accidents, suicide, or cancer.

The use of heroin is responsible for a major source of crime: addicts spend more than \$15 million dollars per day, half of it coming from the 55% of crime in the cities which they commit, and the annual \$2.5 billion worth of goods they steal.

The history of heroin is bizarre: it was invented in 1894 by Bayer pharmaceuticals, the same people who made aspirin 2 years later. Heroin was ^{later} billed as a ~~new~~ drug for coughs, and was initially used as a cure ^{for a moment} for morphine addiction. Look ^v at the second to last page of the long report we gave you, you can see how it was advertised. Heroin was soon found to be more addictive than morphine. Bayer did their research for the military. These drugs, heroin and morphine, are still used for

field emergencies, but the widespread use of heroin as a "cure" drug for addiction, and a "wonder" drug for coughs and colds, and its subsequent outlawing by ~~any~~ all except registered medical outlets, leads us to the proportion of our problem today. In the first decade of 1900, the US and Germany had a sizable ^{number of} service-related, middle class addicts, and since government response was only law enforcement, it insured that hard drug use and sale became an aspect of organized crime. Any of you who saw the Godfather got a fairly accurate history of how the French laboratories supplied heroin to New York, via the Sicilian gangs. Big Time.

We are not saying that heroin should be legalized or taken from law enforcement's hands. But so far our methods of control have failed miserably, even to the point of involving New York City police in this lucrative business.

Look for a moment at England. They have stabilized the number of addicts at 3000.

Heroin is dispensed through clinics at about 2¢ per shot. Heroin addiction is not a crime-related problem in England.

They decided to be creative about the problem. The United States has not.

In any case, heroin
~~is~~ ^{is} must be presented to the
general public in its true light, the criminal
and physical aspects of the drug must be
made known, in Truth, to All, before
you can ever expect the public to join
us in an effective program to combat its use

General hysteria statements as we have
recently heard from law enforcement officials
and elected representatives are counterproductive
to our goals, for their only result is continued
ignorance and confusion of the real issues
that we must deal with: the attitudes of the
addict, and the economics of the drug.

2 pounds of heroin can be bought in
Saigon for \$400. This heroin is pure. ~~is~~ Approximately
10 pounds of lactose are added by the time
it reaches the streets of New York. Its full
value there is \$400,000. Heroin is Big Business.
The addict is forced by his addiction to raise
the money for his habit. Dying becomes

easier, breaking and entering is a snap after you've done it a few times. A very important thing to consider: An addict gets the ideas for raising money from his fellow addicts, the only people an addict associates with. Until the economics of heroin are destroyed, and the close peer structure dissolves as a result, no progress will be made to stop it. The addict trusts no one, but he will become closer to his fellow addicts if strict enforcement is used. Addicts are not stupid by any means / crafty perceptive and ingenious are more suitable adjectives.

There are two ways to sustain a habit of heroin. One, the way we usually think of, the addict is dependent on a certain amount of crime each day to buy his drug. The only places this model exists as a stereotype are large cities; New York, Detroit, Chicago, Washington, and Los Angeles, cities which house the overall majority of U.S. drug addicts.

The rest are free lance addicts, those who supply themselves and a couple of friends by flying to N.Y., Seattle or San Francisco, and buying in quantity. You pay between \$450 and \$700 for an ounce of heroin. An ounce contains approximately 400 injections.

These free lance addicts are surveyors, doctors, lawyers, construction workers, state workers. Their addiction doesn't show because they are careful about it. If they lose their job ~~if~~ ~~they~~ they have lost the means of getting the drug. You will never catch these addicts, but then, why should you? They aren't criminals in a strict sense. Yet it is this type of person who is supplying all the addicts in our state... the man or woman who can get off an Anchorage plane with 1/2 pound of pure heroin ~~is~~ taped to his thighs, go see five contacts, sell his wares to them for double what he paid, and leave the next day. It's that easy, and unstoppable,

Recently the city of Juneau hired an informer to catch the "big fish" of Juneau drug dealers. This mans name is Tom Carpenter, known as T.C. He called himself an explosives expert who rarely worked, and thus had a lot of time to use drugs. ~~T.C.~~ T.C. testified before the grand jury here, and identified 10 people that he said were dealing large quantities of drugs. 20 Juneau police employees formed themselves into raiding parties and arrested 17 people. Very little drugs were found, all was for personal use. They raided at 5 o'clock in the morning, and the local newspaper editor went along to take pictures of people ~~being~~ being dragged out of bed. One police official took an ounce of marijuana out of his pocket and accused an individual of dropping it on the floor.

~~What~~ that week we ~~had~~ found out that T.C. was a heroin addict, that he had been selling amphetamines to 12 and 13 year old ^{Juneau} children, that he was working for the local cab company

and selling drugs out of the cab, and that he was going to peoples houses at 8 and 9 o'clock in the morning, ~~the~~ lighting up marijuana in his possession, then asking where he could get more. The charges of course were dropped, no "big fish" were ever caught in the first place.

The police finally acted and arrested T.C., but he had been recommended by the FBI, Bureau of Dangerous and Narcotic Drugs, of the Anchorage Police. NO WONDER THERE IS NO

RESPECT FOR THE LAW OR POLICE. IN

this case it is fully justified.

T.C. was paid \$1100 per month, \$10 per diem, and had \$2-\$3000 buy money. All in all,

he soaked the Juneau community for over \$5500 and created much more animosity than the proposed capital move.

Lets look at law enforcement in the area of drug abuse ... it has had an extremely low percentage rate in actually stopping the flow, arresting major suppliers, or helping to discourage drug use in society. But we have paid taxes for it, and enforcement in the area of drug abuse has always been a major part of national crime legislation. But in 49 other states, combating heroin supply and use has been an absolute failure. Sure, large shipments have been intercepted in New York and Miami, but when you consider that 10 square miles of opium will supply all the addicts in the United States for one year, 10 square miles that can grow anywhere in the world, you may see the absurdity of the problem. Because drugs are so lucrative money wise, the craving of the addict insures that he will always be supplied.

I have brought an article with me entitled THE WAR ON CRIME, THE FIRST FIVE YEARS. I would love to go through each section of it with you, it is an enlightening article, but because time is short I will leave it with the chairman.

The article is written by James Vorenburg, former executive director of the President's Commission on Law Enforcement and the Administration of Justice. The article is never hysterical in its factual data, but is a thoughtful analysis of the enforcement dilemma.

There are two points I will mention. In paragraph 6 he states "We know each year there are thousands of new drug addicts, most of whom are driven — first — by their addiction — and second — by the nation's drug policy — to prey on their fellow

Citizens in order to buy heroin. And we have compelling evidence that during the last five years, the frustrations of poor people and minorities, with continued denial of opportunities to improve their lives by lawful means, have made reliance on crime an increasingly acceptable alternative."

This is important for Alaska. The former director cites a direct connection between crime and the denial of equal opportunity to all. In some cities, like Washington D.C., the police have instituted community hire practices and outreach programs as a first priority. In Juneau, very few policemen were Alaskans when hired, the former DA and present police chief were hired out of California. I have heard that in Anchorage, one black and no natives are on the force. Unemployment in Fairview is very high, and 20 to 30% of job seeking youth are not able to find jobs. The situation is as explosive as it is now in the lower 48.

Yet we hear of no hiring policies from the police, and because of recent Court decisions, no employment projections from the state to assist the plight. You combine this situation with a crackdown on Food Stamps that is now occurring throughout the state, and the very people most susceptible to hard drug usage ~~or~~ feel frustrated, disenfranchised, and angry. The perfect climate for heroin. But what will be the result of this bill? It can only result in harassment of users, seizures of marijuana, and other trivia, and overall resentment by citizens of ^{this} misdirected, badly thought out policy. When Alaskans see the same mistakes being made by our police as those being made down south, with federal funds and direction that have never worked, a very deep bitterness will develop. It is ironic that the federal government is willing to write off Alaska in every respect except law enforcement. It makes no real sense.

As you all should know, with federal LEAA funds, police officials can now make up their programs, get approval from Washington for substantial percentage funding, and then approach the legislature to get the program passed, with the help of LEAA approval as leverage, and get the rest of their funding approved by the finance committees. In the case of SB108 and HB176, the plans were hatched on a federal level last September. Here is the memorandum sent by Commissioner Wellington to Larry Parker, requesting LEAA funds for drug informers. You can see by glancing through the text that no actual thought went into the request, it was, and is, merely a request to expand the base of the state police network. If this bill passes out today, that plan has been a success.

To understand the impossibility of the task before them, I would like to show the members of this committee how little heroin is used in Alaska. For the sake of clarity, let us assume that there are 300 addicts in the state, mostly concentrated in Anchorage. Each day an addict shoots $\frac{1}{8}$ gram of heroin in his vein. $\frac{1}{8}$ gram equals $\frac{1}{200}$ th of an ounce. Accept the fact that all heroin entering the U.S. is pure, and 9 parts ^{of dilutant} are added to it when it reaches its final point of distribution. The heroin that one buys in Anchorage is then 10% heroin and 90% lactose or mannite. Thus, ^{there are} 300 addicts, shooting heroin every day, the amount needed in this state for an entire year is 3 pounds.

(Demonstration)

There are two drugs that are potentially far more dangerous than either heroin or the opiates: they are amphetamines and barbituates. Each year pharmaceutical companies make 8,000,000,000 (billion) amphetamine tablets, though their only known redeeming factor is in treatment of narcolepsy (a rare disease whose victims fall asleep frequently and involuntarily) and the second is the treatment of hyperkinetic children.

These two diseases justify the manufacture of thousands of tablets, not billions. These drugs are legal and are bought by prescription by a wide spectrum of our society.

The U.S. Army buys millions for use as pep pills, central nervous system stimulants.

They are highly addictive. Those who are addicts need them just to keep going. Some know them as 'mother's little helpers.'

Characteristics of prolonged use are paranoia, a marked tendency to argue violently, and physical deterioration from not eating. There are far more amphetamine addicts than heroin addicts, but the fact that heroin is illegal, and not a prescription drug, is the major reason why crime and heroin are so related. I honestly assume that if amphetamines were made illegal tomorrow, the tenuous structure of American society would first fall asleep and then fall apart. It's that widespread.

On January 1st, Canada prohibited the prescription of amphetamines by physicians except for treatment of narcolepsy and hyperkineticism.

Barbituates, though not used as much as amphetamines, are far more dangerous when abused. However, because they are used as sedatives, to treat epilepsy, high blood pressure and peptic ulcers, they are harder to control and legislate. Barbituates are now classified as "dangerous" or "soft" drugs, a misleading and erroneous label.

A large dose, 3 or 4 of the stronger barbituates, can result in a loss of consciousness. A greater dose can produce coma and even death. Mix barbituates with alcohol, called multiple drug abuse, and one is dangerously courting death. The user cannot arouse himself as his body begins to slow down and lock up.

Heroin Addicts frequently use barbituates to supplement their habit. They are easy to procure. I know one doctor in D.C. that dealt only with addicts. When there was little heroin available his business skyrocketed.

as a final note

Burglary and theft by addicts are serious problems in every large metropolitan area.

There is strong public pressure to get addicts off the street. Methadone maintenance is one way, incarceration another, public education done creatively is a third. Judge Ocipinti has begun a program to use police officers to contact heroin addicts and inform them of rehabilitation or the consequences.

So far 8 addicts have been contacted,
a far cry from the ~~250~~ 250 the
Judge said there were. We agree with
to make the intent of this approach — But

the addict respond to his illness. But
using police officers who also threaten
incarceration is still a violation of civil
rights. I don't care how one feels about
addicts, they still are entitled to civil rights.
We advocated a similar program to
Senator Miller state Affairs committee:

contacting addicts via letters and community
organizers. This program will be far more
productive and will get the trust of the addict,
whereas the police never will. In any case,
I will watch this attempt closely.
Mr. Fuchs will give a summary of
our ideas and proposals.