

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

SB 161, 163, 165, 168 am 285 285



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

Committee Report

SENATE

2/21/73

3/1/73

Date

Mr. President:

The Committee on FINANCE has had SB 161
(relating to the International Airports)
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) with individual recommendations

MEMBERS SIGNING THE MAJORITY REPORT:

Bill P. DePass
Bill P. DePass
Bill P. DePass
Bill P. DePass

MEMBERS NOT CONCURRING IN THE MAJORITY REPORT:

_____ recommends:

_____ recommends:

Bill Kay recommends: NO REC

_____ recommends:

_____ recommends:

CHAIRMAN

Introduced: 2/21/73
Referred: Finance

1 IN THE SENATE

BY THE RULES COMMITTEE BY
REQUEST OF THE GOVERNOR

2 SENATE BILL NO. 161

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 the International Airports
7 Revenue Bonds; and providing for an effective date."

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

9 * Section 1. AS 37.15.450(a) is amended to read:

10 (a) The bonds shall be sold in such amounts or series and at
11 such time or times as determined by the committee. Before selling a
12 series of bonds, the committee shall give notice inviting sealed bids
13 in such manner as it may prescribe. If satisfactory bids are received,
14 the bonds offered for sale shall be awarded to the highest responsible
15 bidder. If the committee determines that the bids received are not
16 satisfactory as to price or responsibility of the bidders, it may
17 reject all bids received. The bonds, or each series of them, shall be
18 sold at such a price so that the effective interest rate over the life
19 of the bonds does not exceed eight per cent per year. Interest shall
20 be payable annually or semiannually.

21 * Sec. 2. AS 37.15.450(b) is amended to read:

22 (b) The bonds shall mature at such time or times as fixed by the
23 committee [AND SHALL BE SOLD AT PUBLIC SALE, AND NOTICE OF THE SALE
24 SHALL BE PUBLISHED AT LEAST ONCE A WEEK FOR TWO CONSECUTIVE WEEKS IN
25 A NEWSPAPER OF GENERAL CIRCULATION IN EACH OF THE FOUR MOST POPULOUS
26 SENATE DISTRICTS OF THE STATE AS ESTABLISHED BY THE LAST FEDERAL CEN-
27 SUS BEFORE THE SALE. THE FIRST SUCH PUBLICATION IN EACH DISTRICT SHALL
28 BE AT LEAST 20 DAYS BEFORE THE SALE DATE]. The bonds may be subject to
29 redemption before their fixed maturities as determined by the committee

1 and with such premium or premiums as fixed by the committee, but no
2 bond may be subject to redemption before its fixed maturity date unless
3 the right so to redeem that bond is expressly mentioned on the face of
4 the bond. The bonds may be in denominations determined by the
5 committee; may be issued in coupon form or in fully registered form,
6 and may be registrable as to principal or both principal and interest,
7 all under such regulations and conditions as the committee shall pro-
8 vide; shall be payable as to principal and interest at such place or
9 places as may be determined by the committee; shall be signed on behalf
10 of the state by the governor and shall be attested by the lieutenant
11 governor, both of which signatures may be facsimile signatures; shall
12 have the seal of the state impressed, printed or lithographed on them,
13 and each of the interest coupons attached to them shall be signed by
14 the facsimile signatures of these officials; shall be issued under and
15 subject to such terms, conditions and covenants providing for the
16 payment of the principal of them and interest on them and such other
17 terms, conditions, covenants and protective features safeguarding this
18 payment and relating to the maintenance, operation and improvement of
19 the airports as found necessary by the committee, which covenants may
20 include a provision requiring the setting aside and maintenance of
21 certain reserves to secure the payment of this principal and interest.
22 The committee may provide that any additional bonds authorized after
23 the effective date of this Act by the legislature to be payable out of
24 the same source or sources as the bonds authorized as of that date may
25 later be issued on a parity with the bonds authorized as of that date
26 upon compliance with any conditions which the committee may prescribe.

27 * Sec. 3. This Act takes effect on the day after its passage and
28 approval or on the day it becomes law without approval.
29

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

I. REQUEST

Bill Identification: Senate Bill 161
 Title: International Airport Revenue Bonds
 Requested by: Legislative Finance Date: 2/22/73
 Return Date Requested: 3/1/73
 Agency: Revenue Program: Fiscal Services

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						
200 TRAVEL						
300 CONTRACTUAL						
400 COMMODITIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC.						
TOTAL	-0-	-0-	-0-	-0-	-0-	-0-

B. FUNDING: (Thousands of dollars)

GENERAL FUND	-0-					
FEDERAL FUNDS	-0-					
OTHER	-0-					

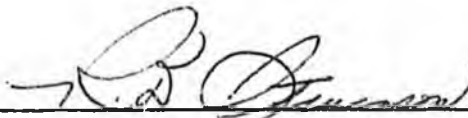
C. POSITIONS:

PERMANENT/TEMPORARY	-0- /	/	/	/	/	/
MAN MONTHS (P./T.)	-0- /	/	/	/	/	/

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

See attached memorandum from William C. Mullin, Director, Division of Finance of the Department of Administration. See also letter from Mr. C. Richard Walker, State Bond Counsel.

IV. ATTACHMENTS

V. DATE: February 28, 1973 PREPARED BY: 
Acting Commissioner

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

STATE
of ALASKA

MEMORANDUM

DEPT. OF REVENUE
RECEIVED

TO: Honorable R. D. Stevenson
Acting Commissioner
Department of Revenue

FEB 27 8 38 AM '73

JUNE 30, ALASKA

FROM: William C. Mullin, Director *WCM*
Division of Finance
Department of Administration

DATE : February 27, 1973

FILE _____

SUBJECT: Senate Bill 161

When International Airport Revenue Bonds were sold in 1971, the notice of sale cost the State \$1,173.60.

The notice of sale was published on two consecutive weeks in each of the five newspapers listed below:

1. Island Publishing Co.	\$ 203.40
2. Ketchikan Daily News	210.00
3. Nome Nugget	258.30
4. Anchorage Daily News	185.00
5. Cheechako News	306.90
Total	\$1,173.60

ROBERT HERRINGTON
ERIC SMITH
NATHAN J. REAGAN
WILLIAM H. ORRICK, JR.
WALTER E. NELSON
WILLIAM J. WALKER
EDWARD C. MITCHELL
SUNLEY E. HUBERTS
JAMES H. COOPER
RICHARD A. ALPER
JAMES F. CRAFTS
ANDREW BURNETT ORRICK
JAMES A. HAINES
RICHARD G. SULLIVAN

RICHARD A. LUCAS
CARLOS J. FOWLER
LEONARD A. SLUCHTER
PAUL A. FESLER
JAMES R. MADISON
DUNCAN P. WHEELER, JR.
LESLIE L. HERRINGTON
THOMAS P. SHERIDAN, JR.
THOMAS W. WOLFE, JR.
JOSEPH C. HUGHES
RICHARD A. ALPER
WALTER A. RYLAND
WILLIAM E. GOVORAN

ORRICK, HERRINGTON, ROWLEY & SUTCLIFFE
COUNSELORS AND ATTORNEYS AT LAW
ELEVENTH FLOOR
600 MONTGOMERY STREET
SAN FRANCISCO, CALIFORNIA 94111
TELEPHONE (415) 392-1124

W H ORRICK, SR
OF COUNSEL

CABLE "ORRICK"
TELETYPE 090271

February 26, 1973

Mr. R. D. Stevenson
Acting Commissioner of Revenue
State of Alaska
Pouch S, Alaska Office Building
Juneau, Alaska 99801

Re: Senate Bill No. 161

Dear Bob:

I have now received your letters of February 22 with respect to this bill. I am glad to see that it has been introduced, and I hope that it will be passed.

In response to one of your letters, asking possible expansion on the points mentioned in the Governor's transmittal letter, a copy of my letter of November 5, 1968 to the State Bond Committee at that time is enclosed. That letter was written in connection with a proposed amendment of the requirements for notice of the sale of general obligation bonds, and the statute relating to those bonds was thereafter changed in the same manner as Senate Bill No. 161 would change the statute relating to International Airports Revenue Bonds. In the enclosed copy of that letter, I have deleted certain lines which do not apply to the revenue bonds; the remaining statements all apply to Senate Bill No. 161.

In response to your other letter, as to cost savings to the State: The direct, measurable saving is, of course, the cost of publishing a long notice at least twice in four different Alaska newspapers, as required by the present statute. Other savings and possible savings are not so easily measurable. These would include the following:

1. The cost of sending the notice to the four newspapers, seeing that it is published on the proper dates, proofreading each of the four printings of the notice, and otherwise processing these publications and payment for them.

2. The publication requirements which would be eliminated by Senate Bill No. 161 cause an extra delay between the time the State Bond Committee determines to sell bonds and the time when they can be sold. This delay will often be immaterial, but a market situation could occur in which the ten days or two weeks of lost time might be the main cause of a very large loss to the State (e.g., a difference of 1/8 or 1/4 of 1% in the interest rate per annum on several million dollars in bonds).

ORRICK, HERRINGTON, ROWLEY & SUTCLIFFE

Mr. R. D. Stevenson
February 26, 1973
Page 2

3. The fact that all of these publications of the notice of sale are required and official means that failure to publish in one of the newspapers or substantial errors in one of the publications would raise serious problems as to whether the sale could be held at all. The result might well be several weeks' delay in the sale, with the risk of costly changes in the bond market, plus the costs of rescheduling the sale date and republishing notice in all of the required places.

Sincerely yours,

C. Richard Walker

Enclosure

ORRICK, HERRINGTON, ROWLEY & SUTCLIFFE
COUNSELORS AND ATTORNEYS AT LAW
405 MONTGOMERY STREET
SAN FRANCISCO, CALIFORNIA 94104

W. H. ORRICK
OF COUNSEL

T. W. DANLOUIS
(1953-1960)

TELEPHONE 392-1120
AREA CODE 415
CABLE "ORRICK"

W. GEORGE HERRINGTON
J. H. SUTCLIFFE
WILLIAM D. ROWLEY
WILLIAM H. ORRICK, JR.
OSWELL A. LORCH
WALTER A. HARRIS
WILLIAM D. HARRIS
EDWARD F. MITCHELL
STEPHEN J. HERRINGTON
JAMES H. HERRINGTON
C. RICHARD WALKER
JAMES E. ORRICK, JR.
ANTHONY G. ORRICK
JAMES E. HAYNES
RICHARD C. HARRISON
W. GEORGE HERRINGTON
WILLIAM D. ROWLEY
WILLIAM H. ORRICK, JR.
OSWELL A. LORCH

November 5, 1968

Mr. George Sharrock
Mr. George A. Morrison
Mr. Robert W. Ward
Mr. Roger Cremona
Mr. T. E. Comerford

Gentlemen:

Looking forward to the forthcoming legislative session, I definitely believe that AS §37.15.040 should be amended.

This section requires that notice of the sale of general obligation bonds be published "at least once a week for two consecutive weeks in a newspaper of general circulation in each of the four most populous senatorial districts of the state as established by the last federal census before the sale," and that the first publication "in each such district shall be at least 20 days before the sale date." The section also provides that, if the total amount of bonds included in the sale exceeds \$3,000,000, "an abbreviated notice of such sale shall also be published in a financial journal or newspaper published in the Borough of Manhattan, city and state of New York, and one published in San Francisco, California, and one published in Chicago, Illinois, at least five days before the sale date."

1. I believe that the distribution of the official statement and notice of sale by the financial consultant in the usual manner and the publication of the notice of sale or of a short-form notice of sale in The Bond Buyer are entirely adequate notice to prospective bidders. I do not think that publication in ~~San Francisco, Chicago and four places in Alaska~~ is of any assistance whatsoever in the marketing of the bonds.

2. The eight publications in Alaska, and those in ~~San Francisco and Chicago~~, all of which I believe to be useless, all cost the State money which could be used elsewhere.

3. Satisfying all of these statutory requirements as to publication consumes a substantial amount of time and effort and creates innumerable possibilities of error. I understand that at least one notice required by a different

November 5, 1968

Page 2

statute was never published in Fairbanks, although it was duly sent to a newspaper there in time for publication. I know from experience with various Alaska newspapers that it is quite difficult to succeed in finally publishing a notice which is substantially correct and relatively free of typographical errors, even after long periods of proofreading and communications with the newspapers. As the statute stands, failure to publish the notice in one of the several newspapers or substantial errors in one of them will raise serious questions as to whether the sale can be held.

4. The present statute presents problems of interpretation and application. The four most populous senatorial districts of the State, as established by each federal census, must be determined. ~~This may particularly create a problem in a sale in 1970 if the timing of the federal census in that year happens to be close to the timing of the bond sale. The requirement of publication in a "financial journal or newspaper" published in San Francisco creates another problem. The Pacific Coast Edition of The Wall Street Journal would be the logical place for publishing a notice in this area if there were any point in publishing such a notice here at all. However, that newspaper is actually published in a suburb, and we have therefore published the notice in a San Francisco newspaper which has very little, if any, circulation among bond purchasers but which is the nearest thing to a "financial journal or newspaper" published in San Francisco which we can find.~~

I therefore suggest that §37.15.040 be amended to provide that notice of the sale shall be given in such manner as the State Bond Committee may determine. The Committee can certainly be relied upon to give sufficient notice to provide for the best interests of the State, and there is no point in a whole series of specific and inflexible requirements. For example, the law governing the issuance of most revenue bonds by cities, various kinds of districts and other local agencies in California merely requires that the legislative body "give notice inviting sealed bids in such manner as the legislative body may prescribe." Calif. Government Code §54388. In fact, it appears that the Alaska statutes governing cities contain no requirements at all for publication of notice of sale of bonds. AS §§29.50.030, 29.50.060, 29.50.086.

November 5, 1968
Page 3

If the foregoing proposal is not acceptable, I recommend that the section be changed to require only one publication in a financial journal or newspaper published in New York and one publication in a newspaper published anywhere in the State of Alaska (or, in Juneau, as the capital, or, in Anchorage, as the largest city and financial center).

~~Will you please advise me of your comments on the foregoing. I will be glad to prepare a bill to amend this section if you wish.~~

Sincerely yours,

C. Richard Walker



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: 2/21/73
Referred: Judiciary and
Finance

1 IN THE SENATE

BY HENSLEY, HOHMAN AND MELAND

2 SENATE BILL NO. 163

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 Works for court facility improvements;
8 and providing for an effective date."

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

10 * Section 1. The sum of \$2,550,800 is appropriated from the general fund
11 to the Department of Public Works for capital improvements to Alaska Court
12 System facilities to be apportioned as follows:

13 Bethel	\$1,273,800
14 Barrow	435,000
15 Valdez	348,000
16 Craig	247,000
17 Yakutat	247,000

18 * Sec. 2. This Act takes effect July 1, 1973.
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POOR COPY

ALASKA STATE LEGISLATURE

EIGHTH Legislature FIRST Session

SENATE BILL NO. 163...

By HENSLEY, HOHMAN AND MELAND

"An Act making a special appropriation to the Department of Public Works for court facility improvements; and providing for an effective date."

(special approp. Public Works court improvements)

Introduced in the Senate 2/21, 1973

HISTORY IN THE SENATE

19 73

2 21

4 11

Read first time and referred to Committee on Judiciary and Finance

Reported back with recommendation that *jud*
to pass 3 more
Finance

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
Sent to House

SECRETARY OF THE SENATE

HISTORY IN THE HOUSE

19

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 Speaker
Returned to Senate

CHIEF CLERK OF THE HOUSE

HISTORY IN THE SENATE

19

Received from House

Reported correctly enrolled

Sent to Governor

By Governor

Filed with Lt. Governor

Chapter No.

Introduced: 2/21/73
Referred: Judiciary and
Finance

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IN THE SENATE BY HENSLEY, HOHMAN AND MELAND

SENATE BILL NO. 163

IN THE LEGISLATURE OF THE STATE OF ALASKA

EIGHTH LEGISLATURE - FIRST SESSION

A BILL

For an Act entitled: "An Act making a special appropriation to the Department of Public Works for court facility improvements; and providing for an effective date."

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

* Section 1. The sum of \$2,550,800 is appropriated from the general fund to the Department of Public Works for capital improvements to Alaska Court System facilities to be apportioned as follows:

Bethel	\$1,273,800
Barrow	435,000
Valdez	348,000
Craig	247,000
Yakutat	247,000

* Sec. 2. This Act takes effect July 1, 1973.

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

I. REQUEST

Bill Identification: SB 163 with amendment proposed by S. Jud. Com.
 Title: Approp. to Dept. of Public Works for Court Facility Improvement
 Requested by: _____ Date: April 12, 1974
 Return Date Requested: _____
 Agency: Alaska Court System Program: Administration of Justice

II. FISCAL DETAIL

Budget Request Unit(s) Affected: Alaska Court System

A. EXPENDITURES: (Thousands of dollars)

OBJECT	FY 74	FY 75	FY 76	FY 77	FY 78	FY 79
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL			104.2	109.4	114.8	120.6
400 COMMODITIES						
500 EQUIPMENT						
600 LAND & STRUCTURES		2,152.7				
700 GRANTS, CLAIMS, ETC.						
TOTAL		2,152.7	104.2	109.4	114.8	120.6

B. FUNDING: (Thousands of dollars)

GENERAL FUND		2,152.7	104.2	109.4	114.8	120.6
FEDERAL FUNDS						
OTHER						

C. POSITIONS:

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

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

FY 75 -- Construction costs of new justice facilities in Bethel and Barrow.
 Assumes construction is completed during FY 75.

FY 76 -- Maintenance and fire insurance on the new facilities:

Maintenance \$96,000
 Insurance 8,200
 \$104,200

FY 77-79 -- Maintenance, insurance, increasing at rate of 5% per year.

IV. ATTACHMENTS

V. DATE: April 12, 1974

PREPARED BY: Mr. Rick Barrier

Manager of Fiscal Operations
 Alaska Court System

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

COMMITTEE REPORT

4/11/74

SENATE

Mr. President:

Date _____

The Committee on FINANCE has had SB 163
approp. Public Works for court improvements
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

Committee Report

SENATE

Ref: Finance

2/21/73

Apr. 11, 1974 Date

Mr. President:

The Committee on JUDICIARY has had SB 163
(special approp. Public Works - court improvements)
under consideration. A majority of the members of the Committee

- recommends it do pass
- recommends it do not pass
- reports it back* ~~recommends it do pass with attached amendment(s)~~ *w/*
- 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>Z. Light</u>	<u>Do Pass</u>	<u>R. Poland - No Rec</u>
<u>M. Poland</u>	<u>✓ ✓</u>	
<u>S. Jones</u>	<u>No Rec -</u>	
<u>R. L. Kethy</u>	<u>✓ ✓</u>	

MEMBERS NOT CONCURRING IN THE MAJORITY REPORT:

_____ recommends:

_____ recommends:

_____ recommends:

_____ recommends:

_____ recommends:

Z. Light
CHAIRMAN

A M E N D M E N T

OFFERED IN THE SENATE:

By: Judiciary

To: _____ SENATE BILL No. 163

HOUSE BILL No. _____

PAGE: 1

LINE: 10

Delete "\$2,550,800" and insert "\$2,152,700"

Page 1

Line 13

Change "\$1,127,800" to "\$1,131,800"

Page 1

Line 14

Change "\$435,000" to "\$1,020,900"

Page 1

Lines 15-17

Delete all material



RECORDS CERTIFICATION



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James O. Smith
Signature of Camera Operator

4/26/89
Date

165

Introduced: 2/23/73
Referred: Health, Education
and Social Services and
Finance

1 IN THE SENATE

BY SACKETT

2 SENATE BILL NO. 165

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 Alaska
7 State-Operated School System for the continuation of
8 the ATS-I experimental satellite program; and providing
9 for an effective date."

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

11 * Section 1. The sum of \$171,000 is appropriated from the general fund
12 to the Alaska State-Operated School System, for the purpose of continued
13 funding of the experimental ATS-I satellite program.

14 * Sec. 2. This Act takes effect July 1, 1973.
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POOR COPY

ALASKA STATE LEGISLATURE

EIGHTH Legislature FIRST Session

SENATE ... BILL..... NO. 165..
By SACKETT.....

"An Act making a special appropriation to the Alaska State-Operated School System for the continuation of the ATS-I experimental satellite program; and providing for an effective date."

(approp. State-Operated Schools ATS-I satellite program)

Introduced in the Senate 2/23... , 19 73

HISTORY IN THE SENATE

19 73

2 23

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Read first time and referred to Committee on Health, Education and Social Services and Finance

Reported back with recommendation that *do pass TO FIN*

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
Sent to House

SECRETARY OF THE SENATE

HISTORY IN THE HOUSE

19

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 Speaker
Returned to Senate

CHIEF CLERK OF THE HOUSE

HISTORY IN THE SENATE

19

Received from House

Reported correctly enrolled

Sent to Governor

By Governor

Filed with Lt. Governor

Chapter No.

Introduced: 2/23/73
Referred: Health, Education
and Social Services and
Finance

1 IN THE SENATE

BY SACKETT

2 SENATE BILL NO. 165

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 Alaska
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14 * Sec. 2. This Act takes effect July 1, 1973.

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ATS-1 EDUCATION PROJECT--PROPOSED OPERATION

SB 165

• GOALS

This project has the potential to provide Alaska with important information about satellite delivery systems such as:

- 1) What kinds of education programs are needed which require the instantaneous delivery that satellites can provide?
- 2) What resources are necessary to effectively produce and utilize such material?
- 3) What experimentation should Alaska plan on ATS-F in order to maximize the usefulness of that opportunity?
- 4) How much and what type of communication ability to remote areas is required by the agencies and organizations which are the potential users of any intra-Alaska system?

PROGRAMS

Programming that can provide answers to these questions goes beyond the traditional concept of an "educational program" and should include:

- 1) Presentations to students in classrooms;
- 2) Inservice training and information to identifiable groups such as teachers, health aides, village councils; and
- 3) News and information for the general public in remote areas.

JUSTIFICATION

1) Classroom programming experiments were severely limited in the first year. From October until March the morning hour was on half-power and reception was not good enough for children to use the system. In April NASA's need for the ATS-1 during the Apollo mission pre-empted all classroom programs. The few efforts that were arranged in this area (classroom exchange programs between Chalkyitsik and Barstow, California; the Nulato Stick Dance; and the Barrow whaling broadcasts) were very successful.

Requests have been made from teachers to program more historical events as well as series on such things as occupations, Native history, and music. Such programs need to be tested in a new school year when the project has had time to prepare advance material and indicate to teachers what to expect so they may be adequately prepared to utilize the material.

2) Inservice training and information via satellite radio has the capability to improve the caliber of performance by many agencies who have field workers. The most successful of these attempts in the past have been with the health aides through the Tanana Service Unit Native Board of Health. Other agencies such as BLM, BIA, the Alaska Library Association, Health and Social Services see the potential use of such a delivery system and might

help support further experimentation if the project had its basic operating budget.

3) News and information for general audiences--This may be the most difficult to facilitate in a two-way radio situation since the audience has to go to either a school, hospital, or health aid's home, but it also offers exciting potential for the citizen to ask his own questions of people in areas of responsibility. In a continued year of operation we would like to experiment with some rebroadcasting in places such as Nome where there is a local station and in establishing limited rebroadcasting in places like Barrow. This would mean a person could listen at home, but still go to the appropriate place if he wanted to ask a question directly.

PROPOSED ACTIVITIES

For July and August, programming should be continued at one program per day. Although large audiences would not be expected, it would keep program development taking place for such things as library services, health education/information for health aides, and current affairs. In the fall two hours per day should be resumed with some rebroadcasting in the larger sites.

During the summer the project should increase its production efforts, working up the material that will be used in classroom programs in the fall and locating other material already produced which will be suitable. Staff would continue to develop contacts with users of the system to help maximize effective program planning for the fall.

The minimal cost to realistically hope to accomplish a substantial number of goals is \$270,000 to \$300,000. With a state appropriation of \$150,000 (the amount needed to keep the project operational in any meaningful sense) we believe the additional funds could be obtained through either federal sources or by user contributions.

PROPOSED BUDGET
 ATS-1 SATELLITE PROJECT
 FY-74

I. PERSONAL SERVICES:

A. Project Director	@ \$1,699 mo.	\$20,388
B. Program Manager	@ \$1,313 mo.	\$15,756
C. Electronic Tech.	@ \$ 652 mo.	\$ 7,824
D. Field Producer	@ \$ 978 mo.	\$11,736
E. Secretary	@ \$ 652 mo.	\$ 7,824
F. Clerk Typist	@ \$ 652 mo.	\$ 7,824
	Benefits @ 20%	\$14,270
	Total	\$85,622

II. TRAVEL:

A. Instate		\$11,350
B. Out of State		\$ 1,770
C. Consortium 3/meetings		\$ 1,900
D. Policy Board 6/meetings		\$ 6,650
	Total	\$21,670

III. CONTRACTUAL SERVICES:

A. Evaluation		\$ 9,000
B. Audit		\$ 2,000
C. Rental-Office/Telephone		\$ 4,660
D. Printing/Publications		\$ 1,000
E. Materials Productions		\$17,904
F. Consultant Fee		\$ 6,000
	Total	\$40,564

IV. COMMODITIES:

A. Stationary and Office Supplies	\$ 250
B. Audio Tape (reel and cassette)	\$ 1,200
C. Professional and Scientific Supplies	\$ 1,200
Total\$ 2,650

V. EQUIPMENT:

A. Nagra 4.2 tape recorder w/2RA15 mikes	\$ 2,300
B. Others, Dictaphone, small recorder	\$ 200
Total\$ 2,500

VI. HANDICAPPED COMPONENT

	\$18,000
Total\$18,000
Grand Total	\$171,006

PLAN FOR CONTINUATION OF ATS-1

EDUCATIONAL BROADCAST EXPERIMENTATION

Roger McPherson
Programming Coordinator
ATS-1 Education Project

INTRODUCTION

The need for continuing educational programming via the ATS-1 satellite is built upon the unanswered questions to past programming efforts, and by the new areas opened by experience with satellite broadcast capability. The educational component of ATS-1 has learned that three processes are involved in successful broadcasts:

1. audience participation
2. program viability
3. specialized resource development

In addition, two general audiences are served by educational broadcasts--students and the community.

Successful broadcasts will need to identify the three processes in relation to the audience served. Previous evaluation reports have touched upon the areas of audience, program format, and resource development, but the questions raised have not been answered. We do not know how many hours of educational programming can be utilized by the classroom and the community, or the size and type of group that can be effectively served by the satellite. We have incomplete data on grade levels able to utilize audio information, educational curriculum best suited to audio broadcasts, or the method of delivery of content.

Our purpose in continuing use of ATS-1 is to explore the range of interests villagers and students have, to develop viable program formats, and to present specialized resource centers to people in rural Alaska.

BACKGROUND

Following a year of broadcasts, significant results were obtained and reported on. Mr. Walter Parker's evaluation report, Village Satellite, details the technical problems which caused poor audience participation. In addition, the report examines each station in the satellite network and the problems of receiver placement, audiences served, and amount of response from each village.

Because of the first year problems, experiments with different educational program formats and content were tried during the months of March, April, and May of 1972. Of these experiments, several programs stood out as viable and worthwhile to pursue: classroom units (Nulato Stick Dance, Barrow Whaling), news, and reports from regional and state-wide Native organizations (AFN enrollment, Tanana Chiefs Report). Regular programs that had continued throughout the year and that had received significant audience response were also noted for their contribution (Classroom Exchange, Village Story Hour, Alaska Library Association program What Do You Want To Know?).

Evaluation of the programs was made early in the summer and planning was instigated for fall educational broadcasts. Material was collected for background information on classroom units and the units were planned with the yearly village subsistence cycle in mind. A Master Schedule was prepared ahead of fall broadcast time so that those people listening to broadcasts could plan when to be at the Health Aid's house or at the school where the receivers were located. Programs that were successful in the past were enlarged to see how much more content could be added to the present program. For example, Teachers and Administrators time has not usually needed a full hour, so that extra time is being used by the Anchorage, Juneau, and Fairbanks libraries. In this way, the resources of the libraries will be offered directly to the people most in need of them and who can co-ordinate library usage in the village.

The different educational programs for the classroom and the village are presented in outline form, grouped according to content:

II. Classroom Programs

A. Electives

1. National and Local News
2. Classroom Exchange
3. Village Classroom Share and Tell
4. Classroom Units

B. Cultural Enrichment

1. Alaska Native Stories and Music
2. A Native Biography
3. Occupations for Alaskans
4. Classroom Units

C. Information-Access

1. Teachers and Administrators
2. National Education Association University course
3. Alaska Library Association: What Do You Want To Know?
4. In-Service for Librarians

II. Community Programs

A. Regional Information

1. Tanana Chiefs Conference
2. Arctic Slope Native Association

B. Alaskan Information

1. Alaska Federation of Natives
2. Fairbanks Native Community Center
3. TAHETAN Native youth group

C. Community Health

1. Tanana Service Unit Board of Health
2. Program for Hearing Aid Users

PROGRAM ANALYSIS

Three kinds of programs have been designed for the classroom: electives, cultural enrichment, and information-access. Electives are to provide school-related material not available to remote classrooms. Cultural enrichment programs draw upon familiar persons, activities, and events to provide students with awareness of their own environment and heritage. Information-access programs bring specialized resource centers to the teacher. An analysis of the content of each classroom program follows:

Electives

1. National and Local News. Excerpts from a national news program are selected for their relevance to classroom studies. Teachers using news magazines may utilize this program for in-depth reports on current events.
2. Classroom Exchange. A class from Barstow, California exchanges information with an Alaskan classroom. Comparisons and contrasts of peer groups affords isolated village students the opportunity to discover how other students in other areas are like and unlike themselves.
3. Village Classroom Share and Tell. Villages in Alaska share their experiences with each other. Activities and accomplishments are presented to other classrooms.
4. Classroom Units. Once a month program patterned after regular teacher units. Subsistence activities are the focus for the program. September's program, Summer Salmon Fishing on the Yukon and Tanana Rivers, has gotten good response from listening students. Future units planned: Caribou Hunting in Anaktuvuk Pass, Games of Native Alaskans, Trapping, Dog Mushing, The Nulato Stick Dance, Whaling, and Health Education on Hearing. Classroom units are accompanied by a written paper on the activity for the teacher's use, black and white photographs for the students to look at during the broadcasts, and suggested activities for the teacher.

Cultural Enrichment

1. Alaska Native Stories and Music. Native stories are recorded in satellite areas and "packaged" for re-broadcast with music from the area.
2. A Native Biography. One person, prominent in the Native community, is asked to be on the satellite live to talk about his or her life. Students are encouraged to ask questions about the person's life and about the area from which they have come.
3. Occupations for Alaskans. Vocational interviews with people involved with a particular job are presented live. Students will become more aware of vocational choices available to them.
4. Classroom Units. These units were explained under electives. As cultural enrichment, classroom units bring the two different ethnic groups--Eskimo and Athapascan--together by focusing on the different subsistence activities. Differences within one cultural group are brought out, and emphasis is placed on successful working people involved in the subsistence round.

Information-Access

1. Teachers and Administrators. Teachers talk with each other and their area administrators.
2. National Education Association University course. Teachers will be asked to plan a university level course and participate in it via the satellite. A link with Washington, D.C. will provide education... news direct from the National Education Association.
3. Alaska Library Association: What Do You Want To Know? The libraries of Anchorage, Juneau, and Fairbanks offer their resources to teachers and villagers.
4. In-Service for Librarians. Librarians communicate with one another and discuss library satellite programs.

Educational broadcasts are intended for both the classroom and the village. The morning hour will be student-oriented programs and the evening hour will be adult-oriented programs. Community broadcasts address themselves to the different interest groups within the village: health aids, village council members, the community as a whole, and teenagers. Emphasis is on local involvement in the information sharing process from specialized resource centers. An analysis of community program content follows:

Regional Information

1. Tanana Chiefs Conference. The Tanana Chiefs offices in Fairbanks bring members of their staff to the satellite to explain programs in the Tanana Chiefs Conference.
2. Arctic Slope Native Association. Primarily contact between the village council in Anaktuvuk Pass and Barrow, the regional association's office.

Alaskan Information

1. Alaska Federation of Natives. The Anchorage office of AFN explain their programs to satellite villages. Co-ordination of out-reach programs is worked out via the satellite.
2. Fairbanks Native Community Center. Urban Natives explain how to adjust to city life, and how to take advantage of the services offered by the urban association.
3. TAHETAN Native Youth Group. A group of Native students explain how young people in the villages can become involved in political affairs. A dialogue between peers which communicates to people in villages not normally reached information on political developments.

Community Health

1. Tanana Service Unit Board of Health. Health personnel in Fairbanks talk with health aids in the villages about services, programs, and health problems.
2. Program for Hearing Aid Users. Continuation of last year's program by John Devens, an audiologist. Follow up on hearing problems and with people using new hearing aids.

OBJECTIVES

The objectives of all programs is to reduce information delays, to bring resource centers closer to classrooms and villages, and to provide a better education to remote villages. The classroom broadcasts speak to three needs of education in rural Alaska:

1. Student need for experience and interaction with their cultural group, with Alaska, and with the world.
2. Classroom need for information, enrichment, and diversity.
3. Teacher need for information-access, administrator contact, and idea exchanges with other teachers.

Previous classroom objectives will remain unchanged, but measurement of the success of these objectives will be different due to a new method of evaluation. A list of the previous objectives follows, with clarification of expected outcomes.

Teacher Objectives

1. "Improvement of morale through access to other teachers and resources." The evaluation report, Village Satellite, believes morale is impossible to measure objectively. Hence, the real objective here is to provide access to teachers and resources.
2. "In-Service training by radio will give teachers new methods and insight into language teaching." An evaluation of the previous in-service training shows that the person presenting the material did not plan his method of delivering the course. This year's course by the N.E.A. will have substantial planning behind it.
3. "Cultural heritage broadcasts will help teachers better understand and adapt to the communities in which they live and the children they teach." Not only will broadcasts acquaint teachers with their own village, but programs are designed to acquaint teachers with the differences between similar cultural and ethnic groups.
4. Audiology. Successfully done for one year, this program will continue to help people with hearing problems. One whole classroom unit is to be utilized by an audiologist.

5. "The teacher will, during the year, develop from his or her experience a plan for optimum utilization of satellite communication." Teachers will be asked weekly about program impact, worth, and meaning.

Objectives for Children

1. "To improve children's effectiveness." Objective unchanged.
2. "To promote language development." Objective unchanged.
3. "To enhance the child's self-concept." Objective unchanged.
4. "To reduce preventable disease and accidents." Objective unchanged.

MEASUREMENT

Three kinds of measurement will be used to evaluate satellite programs, audience, and need. A daily log will be kept listing villages responding, frequency of responses, number of people from the site responding, and technical quality of the satellite signal. Such a log will attempt to outline the audience listening and participating, and show how technical problems relate to audience size. A second kind of daily log will be maintained to evaluate to format and content of the program. Such a log will describe the program, the method of presentation, the length, and the level of audience expected to be reached. Future program development will need such evaluations in order to make effective programs.

In addition to the two logs (audience log and program log), weekly feedback from listeners in the form of critiques will help us make immediate adjustments in programs. Verbal evaluations will be taped and kept as part of the evaluation process.

CONCLUSION

The necessity for continuing satellite broadcasts has grown from our awareness of the unexplored potential of educational broadcasts. With time to plan programs and communicate materials to teachers and communities, broadcasts can be made meaningful. With consistency we can build an audience that is responsive to the potential of satellite communication.

Resource centers have been found, programs designed, interests and needs explored. We now need to follow through to answer our questions originally posed by satellite communication in Alaska. These answers will shape future programs for future systems.

Communications between urban and rural areas have always been a major problem within the State of Alaska because of its size and sparsely scattered towns and villages. Mountain ranges, auroral interference, magnetic activities and basically the distance between the communities poses a transmitting problem for broadcasting medical emergencies, classroom educational programs, and world and local state news.

The ATS-I Satellite Telecommunication Educational Project has been making great strides toward a renewed effort to provide a reliable communication network within the State of Alaska. Many students in rural Alaskan villages have never experienced living in an urban town or city and for that matter have never traveled to a city. The educational experience at times is limited to classroom books which do not relate to his or her environment. When the time comes for the student to find his or her way into this complex world of ours they are at loss and everyone seems too busy to give proper guidance and to help establish them into the modern society that we take for granted to serve our purposes and we tend to have a mental block that everything is fine as long as I can make it in this world. We always wonder why the state of Welfare is so great, along with Alcoholism, Drug abuse, too many minor misdemeanor citations are given; where as we increase year to year the budget for law enforcement, clinics for drugs and alcohol. Let's face it, only through education can we help to cut down the unnecessary dollars spent by State and Federal government. This program is geared to provide this type of service along with its experimental aspect.

The ATS-I Satellite Telecommunication project now has on loan from the National Aeronautics and Space Administration a satellite in geostationary orbit over the equator to transmit educational programs to 25 villages in rural Alaska. Transmitters are also located in urban areas such as Anchorage,

Fairbanks, Juneau, and Kodiak. Indications from NASA are that continued experimental use of the Satellite will be permitted if funds were made available for the project in F.Y. 1974. At the present time we have funds for operation only through June 30, 1973.

The Satellite radio is in operation two hours each day (10:00 - 11:00 a.m. primarily for classroom use and 7:00 - 8:00 p.m. for community use) five days a week. Among the programs offered on the radio are classroom programs featuring Native biographies and legends (frequently in bi-lingual format). A local and state news hour, classroom exchange programs, health education and a new college course, "Teaching Techniques for Rural Alaska" are aired over the radio via Satellite. In addition, the radio is utilized as a means of making library services readily available to residents, both adults and school age children of rural Alaska. The radio also serves as a means of communication between teachers and area administrators for exchanges of educational ideas that can benefit the education process of Alaska. The Regional Native Corporation also utilizes the radio in references to decisions made by State and Federal government on the Native Land Claims Act. Village councils also exchange ideas and problems pertaining to Municipalities, IRA Councils and seeking means for a more effective local government.

Because of the two-way nature of the network, programs can originate in any site, round-table discussions are possible, and questions and comments can be made by listeners, therein lies the potential for unique responsiveness to listeners' needs and desires. This program can provide the State of Alaska with invaluable information in planning for a communication network that will meet the needs of all Alaskan communities that do not have reliable communications now.

Along with the ATS-I Educational project, the University Geophysical Institute is providing a Bio-medical program to transmit medical programs to rural villages.

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

I. REQUEST

Bill Identification: SB 165
 Title: SOS, ATSS-I appropriation
 Requested by: Legislative Finance Date: 3/5/73
 Return Date Requested: 3/12/73
 Agency: _____ Program: _____

II. FISCAL DETAIL

Budget Request Unit(s) Affected: Rural
 A. EXPENDITURES: (Thousands of dollars)

OBJECT	FY 73	FY 74	FY 75	FY 76	FY 77	FY 78
100 PERSONAL SERVICES	28.7	85.6				
200 TRAVEL	6.6	21.8				
300 CONTRACTUAL	22.1	40.5				
400 COMMODITIES	1.6	2.6				
500 EQUIPMENT	2.3	2.5				
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC.	9.1	18.0				
TOTAL	70.4	171.0				

B. FUNDING: (Thousands of dollars)

GENERAL FUND	12.0	171.0				
FEDERAL FUNDS	58.4					
OTHER						

C. POSITIONS:

PERMANENT/TEMPORARY	3 / 1	6 / 0	/	/	/	/
MAN MONTHS (P./T.)	6 / 6	12 / 0	/	/	/	/

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

IV. ATTACHMENTS

See Attached Budgets

V. DATE: _____ PREPARED BY: _____

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

PROPOSED BUDGET
 ATS-1 SATELLITE PROJECT
 FY-74

I. PERSONAL SERVICES:

A. Project Director	@ \$1,699 mo.	\$20,388
B. Program Manager	@ \$1,313 mo.	\$15,756
C. Electronic Tech.	@ \$ 652 mo.	\$ 7,824
D. Field Producer	@ \$ 978 mo.	\$11,736
E. Secretary	@ \$ 652 mo.	\$ 7,824
F. Clerk Typist	@ \$ 652 mo.	\$ 7,824
	Benefits @ 20%	\$14,270
	Total	\$85,622

II. TRAVEL:

A. Instate		\$11,350
B. Out of State		\$ 1,770
C. Consortium 3/meetings		\$ 1,900
D. Policy Board 6/meetings		\$ 6,650
	Total	\$21,670

III. CONTRACTUAL SERVICES:

A. Evaluation		\$ 9,000
B. Audit		\$ 2,000
C. Rental-Office/Telephone		\$ 4,660
D. Printing/Publications		\$ 1,000
E. Materials Productions		\$17,904
F. Consultant Fee		\$ 6,000
	Total	\$40,564

IV. COMMODITIES:

A. Stationary and Office Supplies	\$ 250
B. Audio Tape (reel and cassette)	\$ 1,200
C. Professional and Scientific supplies	\$ 1,200
Total	\$ 2,650

V. EQUIPMENT:

A. Nagra 4.2 tape recorder w/2RA15 mikes	\$ 2,300
B. Others, Dictaphone, small recorder	\$ 200
Total	\$ 2,500

VI. HANDICAPPED COMPONENT

	\$18,000
Total	\$18,000
Grand Total	\$171,006

ESEA TITLE III BUDGET
 ATS-I SATELLITE PROJECT
 FY-73

I. PERSONAL SERVICES:

A. Project Director (6 months @ 18,948 P.A.)	\$ 9,474
B. Program Manager (7 months @ 15,192 P.A.)	\$ 8,862
C. Field Producer (6 months @ 11,316 P.A.)	\$ 5,658
D. Clerk Typist II (1/2 time-6 months @ 7,008 P.A.)	\$ 1,752
Benefits @ 20%	\$ 1,772
Benefits @ 7%	\$ 1,182
Total.....	\$28,700

II. TRAVEL:

A. In-State Travel

1. Project Director	
a. 3 trips plus 10 days per diem @ 30.00 a day	\$ 600
2. Program Manager and Field Producer	
a. 10 trips plus 30 days per diem @ 30.00 a day	\$ 2,850
3. Evaluation Consultant	
a. .6 trips plus 18 days per diem @ 30.00 a day	\$ 1,440
4. Auditor	
a. 2 trips plus 6 days per diem @ 30.00 a day	\$ 480
5. Consortium Travel	
a. 2 trips-Anchorage/Fairbanks	\$ 600

B. Out of State Travel

1. Project Director - Washington, D.C.	
a. 1 trip plus 3 days per diem @ 30.00 a day	\$ 590

Total.....\$ 6,560

III. CONTRACTUAL SERVICES:

A. Evaluation	\$ 7,050
B. Audit	\$ 1,000

C. Broadcast Station Attendant	\$ 1,008
D. Rental-Office/Telephone/Duplication Services	\$ 1,580
E. Printing/Publication:	\$ 300
F. Materials, Production, Consultant fee	\$ 8,294
G. Alaska State-Operated School System	
1. Office Space & Administration Cost	\$ 2,920
Total.....	\$22,152

IV. COMMODITIES:

A. Stationary and Office Supplies	\$ 100
B. Audio Tape (reel and cassette)	\$ 600
C. Professional and Scientific Supplies	\$ 900
Total.....	\$ 1,600

V. EQUIPMENT:

A. Nagra 4.2 tape recorder w/2RA15 mikes	\$ 2,300
Total.....	\$ 2,300

VI. HANDICAP COMPONENT:

Total.....	\$70,392
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RECEIPTS

E.S.E.A. Title III (Grant No. OEG-X-71-0045)	\$58,392
Tanana Chiefs Conference Participation	\$12,000
Total (6 month operation).....	\$70,392

ESEA Title III

Proposed Budget Summary

Handicap Component

	Donated	ESEA Title III
<u>Salaries</u>		
Director of Handicapped Component 15% of 8 mo. @ \$2480/mo.	\$2,976.00	-----
Audiology Research Assistant (Part-Time) 24 wks. @ \$100/wk. (6 months)		\$2,400.00
<u>Travel</u>		
Outside - 1 trip and 3 days		540.00
Inside - 7 trips and 21 days (7 @ \$150 and 21 @ \$30.00)		\$1,680.00
Project Evaluator (3 trips and 12 days)		660.00
<u>Services</u>		
Office space at ACCA		
Directors office 8 mo. @ \$20/mo.	160.00	-----
Research Assistant 6 mo. @ \$40/mo.	240.00	-----
Postage, Xerox, office supplies		\$ 300.00
Telephone rentals	160.00	-----
Long distance calls		\$ 100.00
<u>Production Costs</u>		
Audio tapes		\$ 200.00
Slide production and reproduction		\$ 950.00
Charts, posters, advertisements		\$ 300.00
Classroom Display		\$ 300.00
<u>Evaluation of Program and Kits</u>		
Ph.D. Audiologist/Speech Pathologist		
5 days @ \$100		\$ 500.00
1 trip @ \$450		\$ 450.00
<u>Miscellaneous</u>		
Containers for shipping kits		\$ 300.00
Fees for noise measurements seminar		\$ 400.00
TOTAL TITLE III FUNDS		-----\$9,080.00

Sen. Fin. - Melvin Charley - 3/5/73
Director

SB 165 Satellite telecommunication program
S.O.S.

Approx. 20 villages presently participating
State Library also, Fb*, Anch, Kodiak
Consortium board (policy & advisory)

Title I funding extended for FY 73 - to
be lost in FY 74.

Expansion into other than educational
programs with state funds anticipated.

2 hrs days

10-11 AM - School classrooms

1 hr. in evening - Community program

In Senate Finance now -

Committee Report

S E N A T E

3/5

_____ Date

Mr. President:

The Committee on Finance has had SB 165
(ATS-I satellite program -state operated schools)
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

Committee Report

S E N A T E

Ref: Finance

2/23/73

3/5/73

Date

Mr. President:

The Committee on Health, Ed. & SS. has had SB 165
(special approp. State-operated Schools ATS-I experimental satellite program)
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:

Hensley _____
James Adcock _____
Therese D _____

MEMBERS NOT CONCURRING IN THE MAJORITY REPORT:

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

H. Thomas Jr.
CHAIRMAN



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 changing the payment and reporting period of the oil and gas ~~XXXXXXXXXX~~ properties production tax; and providing for an effective date."

Committee Report

HOUSE OF REPRESENTATIVES

4/28/72

Date

Mr. Speaker

The Committee on FINANCE has had SB 168 am

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 ^HCS for SB 137 and that ^HCS for SB 148 do pass
- (and) recommends it be referred to the _____ committee
- reports it back without recommendation
- (other) _____

MEMBERS SIGNING THE MAJORITY REPORT:

<u>WATZUK</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:

CHAIRMAN

MEMORANDUM**State of Alaska**

TO: [The Honorable George H. Hohman, Chairman
House Finance Committee
Alaska State Legislature
Juneau, Alaska

DATE : March 30, 1971

FROM: *R. D. Stevenson*
R. D. Stevenson
Deputy Commissioner
Department of Revenue
Alaska Office Building
Juneau, Alaska

SUBJECT: Senate Bill No. 168
Oil and Gas Properties Production Tax

Senate Bill No. 168 will provide for payment of the oil and gas production tax on a monthly rather than a quarterly basis.

Similar legislation was introduced during the 1970 session of the legislature. Senate Bill No. 390 (1970 session) passed the Senate with no problems. The bill, however, became enmeshed with other bills affecting the rate of taxation on oil and gas production in the House with the final result that while the rate of taxation on oil and gas production was changed by the provisions of Chapter 247, SLA 1970, the method of payment was not changed from quarterly to monthly as requested by the Administration in such legislation.

It is to be noted that the method for payment of the Oil and Gas Properties Production Tax has not been changed since it originally became effective with the passage of Chapter 7, First Extraordinary Session of the 1955 Territorial Legislature.

While revenue from the Oil and Gas Properties Production Tax was minimal in 1959, the following table of collections will disclose that the revenues have steadily increased through the fiscal year ending June 30, 1970:

<u>Fiscal Year</u>	<u>Net Revenues</u>	<u>Rate of Tax</u>
1958-59	\$ 1,163.11	1%
1959-60	2,987.27	1%
1960-61	26,915.61	1%
1961-62	207,264.80	1%
1962-63	293,264.80	1%
1963-64	303,106.93	1%
1964-65	317,342.29	1%
1965-66	329,464.75	1%
1966-67	511,384.17	1%
1967-68	1,186,991.30	1%
1968-69	4,007,077.72	3% effective 7/17/68
1969-70	5,939,970.11	3%

March 30, 1971

With the enactment of Chapter 247, SLA 1970, effective July 1, 1970, relating to the rate of taxation of oil and gas production, revenues to be received by the Oil and Gas Properties Production Tax will be in excess of the 1969-70 revenues shown above based on Cook Inlet production for the next few years and will obviously increase materially at the time of North Slope production.

In the past history of major excise taxes imposed by the former Territory and now the State of Alaska, it is to be noted that:

1. When the Alaska Tobacco Tax Act was imposed by Ch. 42, SLA 1949, tax payment was to be made quarterly; later by Ch. 197, SLA 1957, tax payment became monthly.
2. Under 35-4-32 of ACLA 1949, the payment of the Alcoholic Beverage Excise Tax was on a quarterly basis; later by Ch. 42, SLA 1957, tax payment became monthly.
3. Under 48-5-2 of ACLA 1949, the payment of the Motor Fuel Tax was on a quarterly basis; later by Ch. 131, SLA 1962, tax payment became monthly.

At present, the producers of oil and gas in the State of Alaska are required by statute to furnish production figures and pay royalties to the Department of Natural Resources on a monthly basis.

Pursuant to the provisions of Chapter 247, SLA 1970, effective July 1, 1970, the producers of oil and gas in the State of Alaska are presently required to compute the tax on oil production upon the average daily per-well production for each calendar month in barrels; but, however, pay the actual tax on a quarterly basis.

Accordingly at this date, from an accounting standpoint, the oil industry taxpayers are already required to compute each month's production tax but by virtue of an oversight or omission in Chapter 247, SLA 1970, are only required to pay the production tax on a quarterly basis.

The monthly reporting and payment of the Oil and Gas Properties Production Tax will provide the Department of Revenue a more even cash flow for improved Treasury management and will improve the quality of records which are maintained for projecting and updating revenue estimates.

As in the collection and administration of other major excise taxes such as Alcoholic Beverage, Tobacco and Motor Fuel, the monthly reporting system reduces possible aggregate amounts of delinquent taxes. While this concern may not be likely with the oil industry, it is a basic concept for the adoption of monthly tax reporting and payment.

I am transmitting copies of this report for distribution to all members of the Senate Resources Committee.

RDS:eh

Enclosures

HOUSE JOURNAL

FINANCE COMMITTEE REPORT

ON

HOUSE COMMITTEE SUBSTITUTE FOR SENATE BILL NO 168

COMMITTEE SUBSTITUTE FOR HOUSE BILL NO. 598

COMMITTEE SUBSTITUTE FOR HOUSE BILL NO. 769

COMMITTEE SUBSTITUTE FOR HOUSE BILL NO. 770

The Finance Committee has reported out this "package" relating to the taxation of oil and gas and the regulation of oil and gas pipeline transportation. It is the position of this committee that the simplest and clearest combination of revenue and regulatory measures is, in the long run, in the best interest of both the state and the industry. This package has been designed with this in mind, to accomplish the following objectives:

- (1) HOUSE COMMITTEE SUBSTITUTE FOR SENATE BILL 168 incorporates the Governor's approach on cents per barrel taxation of oil. Basically the cents per barrel tax creates a \$2.50 per barrel floor on oil value within the currently existing severance tax framework. Should the value of North Slope oil fall below \$2.50 a barrel, the cents per barrel rates will come into play and guarantee certain minimum revenues based upon the well's ability to produce. The substitute also incorporates language making the payment of severance tax due monthly as opposed to quarterly.
- (2) COMMITTEE SUBSTITUTE FOR HOUSE BILL NO. 598 complements the revised severance tax by levying a 20 mill ad valorem tax on "tank farms, tanker terminals, gathering and transmission lines, and related oil or gas storage and transport facilities . . .". Reimbursement of local government for impact of oil and gas development is accomplished in two ways:
 - (a) Local governments may levy a tax not to exceed 20 mills on not more than 10 per cent of the value of the taxable property; and
 - (b) Units of local government may request reimbursement through the appropriations process to offset the costs of oil and gas development within their boundaries. Rather than create new administrative machinery, the bill simply establishes an assessment review board consisting of the commissioners of administration, commerce, natural resources, revenue and the attorney general.

HOUSE JOURNAL


(3) COMMITTEE SUBSTITUTE FOR HOUSE BILL NO. 769 simply adds to the general powers of the Alaska Public Utilities Commission the authority to regulate oil or gas transportation facilities when such regulation is not in conflict with the Interstate Commerce Act of 1906 or the Natural Gas Act of 1938.

(4) COMMITTEE SUBSTITUTE FOR HOUSE BILL NO. 770 gives the Director of the Division of Lands the authority to grant a right-of-way for oil and gas pipelines subject to APUC regulation. The act spells out the following conditions for a right-of-way lease:

The lessee shall

- (a) be a common carrier and a common purchaser of oil and gas;
- (b) transport products without unjust or unreasonable discrimination;
- (c) exchange products;
- (d) provide connections and inter-connections where economically feasible;
- (e) provide fire, liability and property insurance; and
- (f) submit security or bond against faithful completion of operations.

The Commissioner of Natural Resources is authorized to negotiate the right-of-way lease and to establish a reasonable rate or fee.


George Hohman
Chairman

MEMORANDUM

TO: House Finance Committee

FROM: Tom Fink

SUBJECT: HCS FOR SENATE BILL NO. 168

DATE: March 14, 1972

#/barrel

The proposed House Committee Substitute for Senate Bill No. 168 would affect the following changes from the existing law:

(1) Cents per barrel - Oil production tax

The existing oil production tax is levied as a percentage of the gross value at the well and varies with production, i.e., oil production up to 300 barrels per day is taxed at 3% of well-head value, the next 700 barrels taxed at 5%, the next 1,500 at 6% and all production in excess of 2,500 barrels is taxed at the top rate of 8%. Under this bill the cents per barrel approach production would continue to be taxed dependent upon ability to produce, with the more productive wells paying the higher tax rate. Recognizing the different calorific values of oil (the higher the API gravity the higher the calorific content of the oil and therefore the greater its value) the proposed tax would also vary with the gravity of the oil; the higher the API gravity the higher the tax. The proposed cents per barrel rate is generally based upon tables assuming Prudhoe Bay crude value at \$2.50 a barrel, and Cook Inlet oil at \$3.10 a barrel, with the tax being 8%, 10% and 12% for wells in the various production brackets, and within the brackets graduated to reflect the gravity/price differential for Alaskan crude.

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(2) Oil production tax escalation clause

One of the previously admitted disadvantages of a cents per barrel as opposed to a percentage of value oil production tax is the "inability" of a statutorily fixed cents per barrel tax to respond to changes in the price of oil. The finance committee proposal would correct this deficiency by tying automatic increases in the oil production tax to published and readily available average crude prices (for example, see enclosed excerpt from Supply and Demand Outlook published by the Independent Petroleum Association of America).

(3) ad valorem tax grandfather clause

The proposed committee substitute would prohibit local governments from taxing ad valorem oil and gas field gathering and transmission lines with the exception of those lines on which ad valorem taxes were levied prior to December 31, 1971. This would make it clear that the increased production tax would be in lieu of all other property taxes with the exception of those property taxes currently in existence.

(4) Oil and Gas impact reimbursement (Draft II)

The committee substitute adds a provision allowing units of local government to request reimbursement from the state for expenses incurred as a direct result of oil and gas development. Such requests for reimbursement may be funded by annual appropriation by the legislature.

(5) Monthly payment of production taxes

The existing statute provides that the gross production tax on oil and gas be paid quarterly. To improve the cash flow to the state from oil and gas taxes the committee substitute would require that payments be on a monthly as opposed to a quarterly basis.

(6) Definitions

The committee substitute includes definitions for "oil", "gas", "barrel of oil", "cubic foot of gas", etc. to more precisely identify the commodities and volumes taxes.

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BY THE RULES COMMITTEE BY
REQUEST OF THE GOVERNOR

IN THE SENATE

DRAFT #2

FINANCE COMMITTEE

HCS FOR SENATE BILL NO. 168

IN THE LEGISLATURE OF THE STATE OF ALASKA

SEVENTH LEGISLATURE - FIRST SESSION

A BILL

For an Act entitled: "An Act relating to the oil and gas production tax;
and providing for an effective date."

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

* Section 1. AS 43.55.010(a) is repealed and re-enacted to read:

(a) There is levied upon every person producing oil and gas a tax on each barrel of oil produced within the state and on the gross value at the well of all gas produced within the state, both less any part or value of any part the ownership or right to which is exempt from taxation. The tax is upon the whole production, including what is commonly known as the royalty interest, and is levied according to the following schedules:

(1) oil -- based upon the average daily production for each well for the calendar month in barrels and the gravity of the oil, the tax on each barrel of oil is:

API GRAVITY	PRODUCTION RATE		
	LESS THAN 1000 BPD	1000-2000 BPD	MORE THAN 2000 BPD
21.9 and below	.175	.225	.275
22.0 - 27.9	.200	.250	.300
28.0 - 30.9	.213	.266	.320
31.0 - 32.9	.230	.287	.344
33.0 - 36.9	.248	.310	.372
37.0 - 42.9	.268	.335	.402
43.0 and above	.290	.364	.436

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(2) oil -- for wells physically incapable of producing more than 100 barrels in average daily production, the tax shall be one-half the amount shown in (1) of this subsection for production of 1000 BPD or less;

(3) oil -- any time the published annual average market price for domestic crude oil exceeds \$3.40 per barrel, the cents per barrel tax in all production and gravity ranges shall be increased proportionately.

(4) gas -- the tax rate shall be four per cent of the gross value of the gas and liquid products produced.

* Sec. 2. AS 43.55.010(b) is repealed and re-enacted to read:

(b) Payment of the tax is in lieu of all ad valorem taxes now or hereafter imposed by the state, cities, towns, school districts, and other local government units upon (1) property rights attached to or inherent in the right to producing oil or gas, (2) producing oil or gas leases, (3) machinery, appliances and equipment used in and around a well producing oil or gas and actually used in the operation of the well, (4) oil and gas field gathering lines and oil and gas transmission lines, excepting those lines on which ad valorem taxes were levied prior to December 31, 1971, (5) oil and gas produced in the state upon which gross production taxes are paid, and (6) an investment in property described in this section.

* Sec. 3. AS 43.55.010 is amended by adding a new subsection (e) to read:

(e) In lieu of ad valorem taxes, each unit of local government may request reimbursement from the state for expenses incurred by the local government as a direct result of oil and gas development, production or transmission within its boundaries. The governor shall review and evaluate all requests for reimbursement and include his recommendations in the annual budget for state government expenditures. Funds to reimburse local governments may be appropriated annually by the legislature.

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* Sec. 4. AS 43.55.020(a) is amended to read:

(a) The gross production tax on oil or gas shall be paid monthly [QUARTERLY]. The tax is due on the last day or each [THE] calendar month [FOLLOWING THE PRECEDING QUARTERLY PERIOD] on all oil or gas produced [IN AND SALED] during the preceding month [QUARTERLY PERIOD]. If the tax is not paid on or before the end of the month in which it becomes due, the tax become delinquent.

* Sec. 5. AS 43.55.020(b) is amended to read:

(b) The gross production tax on oil and gas [SOLD AT THE TIME OF PRODUCTION] shall be paid by or on behalf of the first [THE] purchaser, and [THE PURCHASE SHALL DEDUCT] the amount of the tax paid by the purchaser shall be deducted in making settlement with the producer or royalty owner, or both.

* Sec. 6. AS 43.55.020(c) is amended to read:

(c) The [IF OIL ON WHICH THE] gross production tax [IS DUE IS NOT SOLD AT THE TIME OF PRODUCTION BUT IS RETAINED BY THE PRODUCER, THE TAX] on [THE] oil not sold but retained by the producer shall be paid by or on behalf of the producer [FOR HIMSELF] including the tax due on royalty oil not sold.

* Sec. 7. AS 43.55.020(f) is repealed.

* Sec. 8. AS 43.55.030(a) is amended to read:

(a) The tax shall be paid to the department and the person paying the tax shall file with the department, on the last day of each month and for the preceding month, [AT THE TIME THE TAX IS REQUIRED TO BE PAID] a statement, under oath, on forms prescribed by the department, giving with other information required, the following:

(1) a full description of the property by lease name, subdivision of quarter section, section, township and range, or other legal description by metes and bounds, from which the oil or gas was produced;

- (2) the name of the producer;
- (3) the gross amount of oil or gas purchased;
- (4) the total value of the oil or gas at the price paid for it, if purchased at time of production,
- (5) the prevailing market price of oil or gas [SOLD AT TIME OF PRODUCTION.]

* Sec. 9. AS 43.55.030(c) is amended to read:

(c) Every person engaged in the production of oil or gas shall, on the last day of each [THE] month and for the preceding month [FOLLOWING A QUARTERLY PERIOD], file with the department a statement under oath upon forms prescribed by the department, giving, along with other information required, the following:

(1) the name of the property, description by subdivision of quarter section, section, township and range, or other legal description by metes and bounds;

(2) the gross amount of oil or gas produced and saved;

(3) the name of the purchaser and the price received for the oil or gas.

* Sec. 10. AS 43.55.030(d) is amended to read:

(d) Reports from the [PURCHASER OR] producer or person paying the tax are delinquent 30 days after the time fixed for filing the reports. Each person required to file a report is subject to a penalty of \$25 a day for each lease or property upon which he fails or refuses to file a report. The penalty for failure to file a report is in addition to the penalty for delinquent taxes, and is a lien against the assets of the person failing or refusing to file the reports.

* Sec. 11. AS 43.55.080 is amended to read:

Sec. 43.55.080. COLLECTION AND DEPOSIT OF REVENUE. The department shall deposit monthly [QUARTERLY] in the general fund the money collected by it under this chapter.

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* Sec. 12. AS 43.55 is amended by adding a new section to read:

Sec. 43.55.135. MEASUREMENT. For the purposes of this chapter, oil shall be measured in terms of a "barrel of oil" and gas shall be measured in terms of a "cubic foot of gas".

* Sec. 13. AS 43.55.140 is repealed and re-enacted to read:

Sec. 43.55.140. DEFINITIONS. In this chapter

(1) "oil" means crude petroleum oil and other hydrocarbons regardless of gravity which are produced at the wellhead in liquid form and the liquid hydrocarbons known as distillate or condensate recovered or extracted from gas;

(2) "gas" means all natural, associated or casinghead gas and all hydrocarbons produced at the wellhead not defined as oil;

(3) "department" means the Department of Revenue;

(4) "barrel of oil" means 42 United States gallons of 231 cubic inches a gallon computed at a temperature of 60 degrees Fahrenheit;

(5) "cubic foot of gas" means the volume of gas contained in one cubic foot of space measured at a pressure base of 14.65 pounds per square inch absolute and a temperature base of 60 degrees Fahrenheit;

(6) "month" and "monthly" mean calendar monthly periods.

* Sec. 14. AS 43.55 is amended by adding a new section to read:

Sec. 43.55.150. SHORT TITLE. This chapter may be cited as the Oil and Gas Production Tax Act.

* Sec. 15. The first monthly return under this Act is due on August 31, 1972 and shall include the gross production tax on all oil and gas produced and saved during the month of July 1972. The last quarterly report covering production before July 1972 shall be filed and paid before August 1, 1972.

* Sec. 16. This Act takes effect on June 30, 1972.

OIL & GAS PRODUCTION TAX LIABILITY NET OF CREDIT FOR
PROPERTY TAXES

	FY 73	FY 74	FY 75	FY 76	FY 77
Assessed Valuation of Oil & Gas ¹ Exploration, Development & Transportation Equipment & Facilities	300,000	1,300,000	2,300,000	3,500,000	4,000,000
Production Taxes (Cents/Bbl.)	19,095	20,103	18,552	17,268	72,885
Deduct: Property Taxes @ 10 mills	<u>3,000</u>	<u>13,000</u>	<u>23,000</u>	<u>35,000</u>	<u>40,000</u>
Net Production Tax Liability	16,095	7,103	(4,448)	(17,732)	32,885
Production Taxes (Cents/Bbl.)	19,095	20,103	18,552	17,268	72,885
Deduct: Property Taxes @ 15 mills	<u>4,500</u>	<u>19,500</u>	<u>34,500</u>	<u>52,500</u>	<u>60,000</u>
Net Production Tax Liability	14,595	603	(15,948)	(35,232)	12,885
Production Taxes (Cents/Bbl.)	19,095	20,103	18,552	17,268	72,885
Deduct: Property Taxes @ 20 mills	<u>6,000</u>	<u>26,000</u>	<u>46,000</u>	<u>70,000</u>	<u>80,000</u>
Net Production Tax Liability	13,095	(5,897)	(27,448)	(52,732)	(7,115)

¹FY 73 assessed valuation based on estimate by Peat, Marwick & Mitchell. State Assessor indicates portions of TAPS completed on January 1 each year will be assessed as such.

OIL PRODUCTION TAX ALTERNATIVES: CENTS/BBL. VS. % OF VALUE

(\$000)

	<u>FY 73</u>	<u>FY 74</u>	<u>FY 75</u>	<u>FY 76</u>	<u>FY 77</u>
Oil Production Taxes					
% of Value ¹	8,962	9,436	8,708	8,105	42,594
Cents/Bbl. ²	<u>18,522</u>	<u>19,501</u>	<u>17,996</u>	<u>16,751</u>	<u>72,407</u>
Net Increase	<u>9,560</u>	<u>10,065</u>	<u>9,288</u>	<u>8,646</u>	<u>29,813</u>
Oil & Gas Production Taxes					
% of Value ³	9,535	10,038	9,264	8,622	43,072
Cents/Bbl.	19,095	20,103	18,552	17,268	72,885

¹Department of Revenue indicates oil taxes have averaged 94% of Code 115. Initial Prudhoe production contemplates no gas production.

²Percent of value is an effective average tax of 15¢/bbl. on Cook Inlet and 18.5¢/bbl. on Prudhoe. Cents/bbl. tax is respectively 31¢ and 30¢.

³Source: Revenue Code 115, "Revenue Sources 1971-1977".

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BY THE RULES COMMITTEE BY
REQUEST OF THE GOVERNOR

IN THE SENATE

DRAFT #3

FINANCE COMMITTEE

HCS FOR SENATE BILL NO. 168

IN THE LEGISLATURE OF THE STATE OF ALASKA

SEVENTH LEGISLATURE - FIRST SESSION

A BILL

For an Act entitled: "An Act relating to the oil and gas production tax;
and providing for an effective date."

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

* Section 1. AS 43.55.010(a) is repealed and re-enacted to read:

(a) There is levied upon every person producing oil and gas a tax on each barrel of oil produced within the state and on the gross value at the well of all gas produced within the state, both less any part or value of any part the ownership or right to which is exempt from taxation. The tax is upon the whole production, including what is commonly known as the royalty interest, and is levied according to the following schedules:

(1) oil -- based upon the average daily production for each well for the calendar month in barrels and the gravity of the oil, the tax on each barrel of oil is:

API GRAVITY	PRODUCTION RATE		
	LESS THAN 1000 BPD	1000-2000 BPD	MORE THAN 2000 BPD
21.9 and below	.175	.225	.275
22.0 - 27.9	.200	.250	.300
28.0 - 30.9	.213	.266	.320
31.0 - 32.9	.230	.287	.344
33.0 - 36.9	.248	.310	.372
37.0 - 42.9	.268	.335	.402
43.0 and above	.290	.364	.436

(2) oil -- for wells physically incapable of producing more than 100 barrels in average daily production, the tax shall be one-half the amount shown in (1) of this subsection for production of less than 1000 BPD;

(3) oil -- any time the published annual average market price for domestic crude oil exceeds \$3.40 per barrel, the cents per barrel tax in all production and gravity ranges shall be increased proportionately.

(4) gas -- the tax rate shall be four per cent of the gross value of the gas and liquid products produced.

* Sec. 2. AS 43.55.010(b) is repealed and re-enacted to read:

(b) Payment of the tax is in lieu of all ad valorem taxes now or hereafter imposed by the state, cities, towns, school districts, and other local government units upon (1) property rights attached to or inherent in the right to producing oil or gas, (2) producing oil or gas leases, (3) machinery, appliances and equipment used in and around a well producing oil or gas and actually used in the operation of the well, (4) oil and gas field gathering lines and oil and gas transmission lines, excepting those lines on which ad valorem taxes were levied prior to December 31, 1971, (5) tank farms and related oil and gas storage facilities associated with crude production or transmission of crude oil, (6) oil and gas produced in the state upon which gross production taxes are paid, and (7) an investment in property described in this section.

* Sec. 3. AS 43.55.010 is amended by adding a new subsection (e) to read:

(e) In lieu of ad valorem taxes, each unit of local government may request reimbursement from the state for expenses incurred by the local government as a direct result of oil and gas development, production or transmission within its boundaries. The governor shall review and evaluate all requests for reimbursement and include his recommendations in the annual budget for state government expenditures. Funds to reimburse local governments may be appropriated annually by the legislature.

* Sec. 4. AS 43.55.020(a) is amended to read:

(a) The gross production tax on oil or gas shall be paid monthly [QUARTERLY]. The tax is due on the last day or each [THE] calendar month [FOLLOWING THE PRECEDING QUARTERLY PERIOD] on all oil or gas produced [IN AND SAVED] during the preceding month [QUARTERLY PERIOD]. If the tax is not paid on or before the end of the month in which it becomes due, the tax becomes delinquent.

* Sec. 5. AS 43.55.020(b) is amended to read:

(b) The gross production tax on oil and gas [SOLD AT THE TIME OF PRODUCTION] shall be paid by or on behalf of the first [THE] purchaser, and [THE PURCHASE SHALL DEDUCT] the amount of the tax paid by the purchaser shall be deducted in making settlement with the producer or royalty owner, or both.

* Sec. 6. AS 43.55.020(c) is amended to read:

(c) The [IF OIL ON WHICH THE] gross production tax [IS DUE IS NOT SOLD AT THE TIME OF PRODUCTION BUT IS RETAINED BY THE PRODUCER, THE TAX] on [THE] oil not sold but retained by the producer shall be paid by or on behalf of the producer [FOR HIMSELF] including the tax due on royalty oil not sold.

* Sec. 7. AS 43.55.020(f) is repealed.

* Sec. 8. AS 43.55.030(a) is amended to read:

(a) The tax shall be paid to the department and the person paying the tax shall file with the department, on the last day of each month and for the preceding month, [AT THE TIME THE TAX IS REQUIRED TO BE PAID] a statement, under oath, on forms prescribed by the department, giving with other information required, the following:

(1) a full description of the property by lease name, subdivision of quarter section, section, township and range, or other legal description by metes and bounds, from which the oil or gas was produced;

- (2) the name of the producer;
- (3) the gross amount of oil or gas purchased;
- (4) the total value of the oil or gas at the price paid for it, if purchased at time of production;
- (5) the prevailing market price of oil or gas [SOLD AT TIME OF PRODUCTION.]

* Sec. 9. AS 43.55.030(c) is amended to read:

(c) Every person engaged in the production of oil or gas shall, on the last day of each [THE] month and for the preceding month [FOLLOWING A QUARTERLY PERIOD], file with the department a statement under oath upon forms prescribed by the department, giving, along with other information required, the following:

- (1) the name of the property, description by subdivision of quarter section, section, township and range, or other legal description by metes and bounds;

- (2) the gross amount of oil or gas produced and saved;

- (3) the name of the purchaser and the price received for the oil or gas.

* Sec. 10. AS 43.55.030(d) is amended to read:

(d) Reports from the [PURCHASER OR] producer or person paying the tax are delinquent 30 days after the time fixed for filing the reports. Each person required to file a report is subject to a penalty of \$25 a day for each lease or property upon which he fails or refuses to file a report. The penalty for failure to file a report is in addition to the penalty for delinquent taxes, and is a lien against the assets of the person failing or refusing to file the reports.

* Sec. 11. AS 43.55.080 is amended to read:

Sec. 43.55.080. COLLECTION AND DEPOSIT OF REVENUE. The department shall deposit monthly [QUARTERLY] in the general fund the money collected by it under this chapter.

* Sec. 12. AS 43.55 is amended by adding a new section to read:

Sec. 43.55.135. MEASUREMENT. For the purposes of this chapter, oil shall be measured in terms of a "barrel of oil" and gas shall be measured in terms of a "cubic foot of gas".

* Sec. 13. AS 43.55.140 is repealed and re-enacted to read:

Sec. 43.55.140. DEFINITIONS. In this chapter

(1) "oil" means crude petroleum oil and other hydrocarbons regardless of gravity which are produced at the wellhead in liquid form and the liquid hydrocarbons known as distillate or condensate recovered or extracted from gas;

(2) "gas" means all natural, associated or casinghead gas and all hydrocarbons produced at the wellhead not defined as oil;

(3) "department" means the Department of Revenue;

(4) "barrel of oil" means 42 United States gallons of 231 cubic inches a gallon computed at a temperature of 60 degrees Fahrenheit;

(5) "cubic foot of gas" means the volume of gas contained in one cubic foot of space measured at a pressure base of 14.65 pounds per square inch absolute and a temperature base of 60 degrees Fahrenheit;

(6) "month" and "monthly" mean calendar monthly periods.

* Sec. 14. AS 43.55 is amended by adding a new section to read:

Sec. 43.55.150. SHORT TITLE. This chapter may be cited as the Oil and Gas Production Tax Act.

* Sec. 15. The first monthly return under this Act is due on August 31, 1972 and shall include the gross production tax on all oil and gas produced and saved during the month of July 1972. The last quarterly report covering production before July 1972 shall be filed and paid before August 1, 1972.

* Sec. 16. This Act takes effect on June 30, 1972.

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3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 SEVENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to an oil and gas properties
7 production tax; and providing for an effective date."

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

9 * Section 1. AS 43.55.010(a) is amended to read:

10 (a) There is levied upon the producer of [EVERY PERSON PRODUCING
11 oil and gas a tax based upon a per cent of the gross value of the
12 well of all oil and gas removed or sold from each lease or property
13 [PRODUCED] in the state, less the value of any part [,] the ownership
14 or right to which is exempt from taxation. The tax is determined
15 according to the following schedules, and any part which is exempt
16 from taxation is deducted from the tax levied on a pro rata basis as
17 to each production level tax bracket [THE TAX IS UPON THE WHOLE
18 PRODUCTION, INCLUDING WHAT IS COMMONLY KNOWN AS THE ROYALTY INTEREST,
19 AND IS LEVIED ACCORDING TO THE FOLLOWING SCHEDULES]:

20 (1) oil: based upon the average daily per-well production
21 for the calendar month in barrels, the tax is

- 22 (A) ^{three}~~three~~ per cent on the first 300 barrels;
23 (B) five per cent on the next 700 barrels;
24 (C) six per cent on the next 1,500 barrels; and
25 (D) eight per cent on all production in excess of

26 2,500 barrels;

27 (2) gas: the rate is four per cent of the gross value of
28 the gas and liquid products produced.

29 * Sec. 2. AS 43.55.010 is amended by adding a new subsection to read:

1 (e) If on a tax payment date the amount of tax due under (a)(1)
2 of this section is less than the tax due under sec. 015 of this
3 chapter, the tax levied in sec. 015 of this chapter is payable and
4 the tax levied in this section need not be paid.

5 * Sec. 3. AS 43.55 is amended by adding a new section to read:

6 Sec. 43.55.015. TAX PER BARREL OF OIL. (a) There is levied
7 upon the producer of oil a tax on each barrel of oil removed or sold
8 from each lease or property in the state less any part the ownership
9 or right to which is exempt from taxation. The tax is determined
10 according to the following schedule:

11 Average Daily Per-Well Production for Calendar Month

	<u>0-300</u>	<u>301-1000</u>	<u>1001-2500</u>	<u>Over 2501</u>
Cents per Barrel tax	\$.432	\$.482	\$.507	\$.557

12
13
14 In computing the tax payable under this section the producers
15 of oil may deduct from the amount owing the value of the royalty
16 share paid or transferred by the producer in an amount up to one-eighth
17 of the value of all the oil produced.

18 For any lease where a state discovery royalty of five per cent
19 is paid, the deduction allowed shall be two and one-half times the
20 amount of the royalty owing for so long as the discovery royalty
21 applies to the production.

22 (b) The tax levied by this section shall be administered and
23 paid in the same manner as the tax levied in sec. 010 of this chapter.

24 (c) If on any tax payment date the amount of tax due under (a)
25 of this section is less than the tax due under sec. 010(a)(1) of this
26 chapter, the tax levied in sec. 010(a)(1) of this chapter is payable
27 and the tax levied in this section need not be paid.

28 * Sec. 4. AS 43.55.020(a) is amended to read:

29 (a) The gross production tax on oil or gas shall be paid monthly

1 [QUARTERLY]. The tax is due on the last day of each [THE] calendar
2 month [FOLLOWING THE PRECEDING QUARTERLY PERIOD] on [ALL] oil or gas
3 removed or sold from each lease or property [PRODUCED IN AND SAVED]
4 during the preceding month [QUARTERLY PERIOD]. If the tax is not
5 paid before the end of the month in which it becomes due, the tax
6 becomes delinquent.

7 * Sec. 5. AS 43.55.020(b) is amended to read:

8 (b) The gross production tax on oil or gas [SOLD AT THE TIME OF
9 PRODUCTION] shall be paid by [THE PURCHASER,] or on behalf of the
10 producer [AND THE PURCHASER SHALL DEDUCT THE AMOUNT OF THE TAX PAID
11 IN MAKING SETTLEMENT WITH THE PRODUCER OR ROYALTY OWNER, OR BOTH].

12 * Sec. 6. AS 43.55.020(c) is repealed.

13 * Sec. 7. AS 43.55.020(1) is amended to read:

14 (d) In making settlement with the royalty owners the producer
15 may deduct the amount of the tax paid on royalty oil or gas, or may
16 deduct royalty oil or gas equivalent in value at the time the tax
17 becomes due to the amount of the tax paid.

18 * Sec. 8. AS 43.55.020(e) is amended to read:

19 (e) Gas produced and used, except gas used in the operation of
20 a lease or property [PREMISES] in drilling for or producing oil or
21 gas, or for repressuring, is considered, for the purpose of this
22 chapter and in the amount used, as gas removed or sold from each lease
23 or property [ACTUALLY PRODUCED AND SAVED].

24 * Sec. 9. AS 43.55.030(a) is amended to read:

25 (a) The tax shall be paid to the department and the person
26 paying the tax shall file with the department at the time tax is
27 required to be paid a statement, under oath, on forms prescribed by
28 or acceptable to the department, giving with other information
29 required, the following:

1 (1) a [FULL] description of the lease or property from
2 which the oil or gas was removed or sold, by [LEASE] name, [SUB-
3 DIVISION OF QUARTER SECTION, SECTION, TOWNSHIP AND RANGE, OR OTHER]
4 legal description, lease number or by accounting code numbers assigned
5 by the department [BY METES AND BOUNDS FROM WHICH THE OIL OR GAS WAS
6 PRODUCED];

7 (2) the names of the producer and the person paying the tax;

8 (3) the gross amount of oil or gas removed or sold from the
9 lease or property, [PURCHASED] and the percentage of the gross amount
10 owned by each producer for whom the tax is paid;

11 (4) the total value of the oil or gas removed or sold from
12 the lease or property owned by each producer for whom the tax is paid
13 [AT THE PRICE PAID FOR IT, IF PURCHASED AT THE TIME OF PRODUCTION];

14 and

15 [(5) THE PREVAILING MARKET PRICE OF OIL OR GAS SOLD AT
16 TIME OF PRODUCTION.]

17 (6) the name of the first purchaser and the price received
18 for the oil or gas if sold in the state.

19 * Sec. 10. AS 43.55.030(b) and (c) are repealed.

20 * Sec. 11. AS 43.55.030(d) is amended to read:

21 (d) Reports on behalf of the [FROM THE PURCHASER OR] producer
22 are delinquent the first day following the day the tax is due [30 DAYS
23 AFTER THE TIME FIXED FOR FILING THE REPORTS]. Each producer [PERSON
24 REQUIRED TO FILE A REPORT] is subject to a penalty of \$25 a day for
25 each lease or property upon which the [HE FAILS OR REFUSES TO FILE A]
26 report is not filed. The penalty for failure to file a report is in
27 addition to the penalty for delinquent taxes, and is a lien against
28 the assets of the producer [PERSON FAILING OR REFUSING TO FILE THE
29 REPORTS].

1 * Sec. 12. AS 43.55.070 is amended to read:

2 Sec. 43.55.070. LIEN FOR TAX. The tax is a first and paramount
3 lien against the [PURCHASER'S OR] producer's real and personal
4 property. [THE PROVISIONS OF THIS CHAPTER MAKING THE PURCHASER LIABLE
5 TO PAY THE TAX, AND THE PROVISIONS REQUIRING THE PRODUCER TO PAY THE
6 ROYALTY OWNER'S TAX, DO NOT RELEASE THE PRODUCER OR PURCHASER FROM
7 LIABILITY TO PAY THE TAX, IF THE TAX IS NOT PAID.] The tax may be
8 recovered at the suit of the state upon relation to the department.

9 * Sec. 13. AS 43.55.080 is amended to read:

10 Sec. 43.55.080. COLLECTION AND DEPOSIT OF REVENUE. The
11 department shall deposit [QUARTERLY] in the general fund the money
12 collected by it under this chapter.

13 * Sec. 14. AS 43.55.100 is repealed.

14 * Sec. 15. AS 43.55.135 is amended by adding a new section to read:

15 Sec. 43.55.135. MEASUREMENT. For the purposes of this chapter,
16 oil shall be measured in terms of a "barrel of oil" and gas shall be
17 measured in terms of a "cubic foot of gas".

18 * Sec. 16. AS 43.55.140 is repealed and re-enacted to read:

19 Sec. 43.55.140. DEFINITIONS. In this chapter

20 (1) "barrel of oil" means 42 United States gallons of oil
21 of 231 cubic inches a gallon computed at a temperature of 60 degrees
22 Fahrenheit;

23 (2) "cubic foot of gas" means the volume of gas contained
24 in one cubic foot of space measured at a pressure base of 14.65
25 pounds per square inch absolute and a temperature base of 60 degrees
26 Fahrenheit;

27 (3) "department" means the Department of Revenue;

28 (4) "gas" means all natural, associated or casinghead gas,
29 all hydrocarbons produced at the wellhead not defined as oil, and

1 all liquid hydrocarbons extracted at a gas processing plant;

2 (5) "oil" means crude petroleum oil and other hydrocarbons
3 regardless of gravity which are produced at the wellhead in liquid
4 form and the liquid hydrocarbons known as distillate or condensate
5 recovered by separation from gas other than at a gas processing
6 plant.

7 * Sec. 17. This Act takes effect July 1, 1972.
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Introduced: 3/16/71
Referred: Resources; Finance

1 IN THE SENATE

BY THE RULES COMMITTEE BY
REQUEST OF THE GOVERNOR

2 SENATE BILL NO. 168

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 SEVENTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act relating to the oil and gas properties
7 production tax; and providing for an effective date."

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

9 * Section 1. AS 43.55.020(a) is amended to read:

10 (a) The gross production tax on oil or gas shall be paid monthly
11 [QUARTERLY]. The tax is due on the last day of each [THE] calendar
12 month [FOLLOWING THE PRECEDING QUARTERLY PERIOD] on all oil or gas
13 produced in and saved during the preceding month [QUARTERLY PERIOD].
14 If the tax is not paid on or before the end of the month in which it
15 becomes due, the tax becomes delinquent.

16 * Sec. 2. AS 43.55.030(c) is amended to read:

17 (c) Every person engaged in the production of oil or gas shall,
18 on the last day of each [THE] calendar month [FOLLOWING A QUARTERLY
19 PERIOD], file with the department a statement under oath upon forms
20 prescribed by the department, giving, along with other information
21 required, the following:

22 (1) the name of the property, description by subdivision
23 of quarter section, section, township and range, or other legal
24 description by metes and bounds;

25 (2) the gross amount of oil or gas produced or saved;

26 (3) the name of the purchaser and the price received for the
27 oil or gas.

28 * Sec. 3. AS 43.55.080 is amended to read:

29 Sec. 43.55.080. COLLECTION AND DEPOSIT OF REVENUE. The

1 department shall deposit monthly [QUARTERLY] in the general fund the
2 money collected by it under this chapter.

3 * Sec. 4. AS 43.55.140 is amended to add a new paragraph to read:

4 (6) "month" and "monthly" mean calendar monthly periods.

5 * Sec. 5. AS 43.55.140(5) is repealed.

6 * Sec. 6. The first monthly return under this Act is due on August 31,
7 1971 and shall include the gross production tax on all oil and gas produced
8 and saved during the month of July, 1971. The last quarterly return and
9 report must cover production prior to July, 1971 and must be filed and the
10 applicable taxes paid before August 1, 1971.

11 * Sec. 7. This Act takes effect on June 30, 1971.
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Introduced: 3/16/71
Referred: Resources; Finance

1 IN THE SENATE

BY THE RULES COMMITTEE BY
REQUEST OF THE GOVERNOR

2 SENATE BILL NO. 168

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 SEVENTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act changing the payment and reporting period of
7 the oil and gas properties production tax; and pro-
8 viding for an effective date."

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

10 * Section 1. AS 43.55.020(a) is amended to read:

11 (a) The gross production tax on oil or gas shall be paid monthly
12 [QUARTERLY]. The tax is due on the last day of each [THE] calendar
13 month [FOLLOWING THE PRECEDING QUARTERLY PERIOD] on all oil or gas
14 produced in and saved during the preceding month [QUARTERLY PERIOD].
15 If the tax is not paid on or before the end of the month in which it
16 becomes due, the tax becomes delinquent.

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18 (c) Every person engaged in the production of oil or gas shall,
19 on the last day of each [THE] calendar month [FOLLOWING A QUARTERLY
20 PERIOD], file with the department a statement under oath upon forms
21 prescribed by the department, giving, along with other information
22 required, the following:

23 (1) the name of the property, description by subdivision
24 of quarter section, section, township and range, or other legal
25 description by metes and bounds;

26 (2) the gross amount of oil or gas produced and saved;

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28 oil or gas.

29 * Sec. 3. AS 43.55.080 is amended to read:

1 Sec. 43.55.080. COLLECTION AND DEPOSIT OF REVENUE. The
2 department shall deposit monthly [QUARTERLY] in the general fund the
3 money collected by it under this chapter.

4 * Sec. 4. AS 43.55.140 is amended to add a new paragraph to read:

5 (6) "month" and "monthly" mean calendar monthly periods.

6 * Sec. 5. AS 43.55.140(5) is repealed.

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8 1971 and shall include the gross production tax on all oil and gas produced
9 and saved during the month of July, 1971. The last quarterly return and
10 report must cover production prior to July, 1971 and must be filed and the
11 applicable taxes paid before August 1, 1971.

12 * Sec. 7. This Act takes effect on June 30, 1971.



Oil: Under the Gun

More is at stake in oil than the usual price haggling. The oil countries want to be partners. To the oil companies, that could be the same as expropriation.

As of early this month, the international oil stocks were selling at close to their lowest price/earnings ratios in nearly 20 years; an average of \$1 in Seven Sisters' earnings was worth just \$11, vs. \$17 for the Dow Jones industrials. Mobil Oil, which a few years back sold for 16 times earnings,

recently sold for 10; Texaco 10; Standard Oil of New Jersey 12; Gulf 11 times earnings. This in spite of the fact that 1971 brought record or near-record earnings for many of the companies.

The stocks have been discounting a bad turn in the current negotia-

tions between the industry and oil-producing countries.

As things look now, it's only a matter of time before the oil-exporting countries nationalize the wells.

Algeria, of course, has, to all intents and purposes, already nationalized its oil industry. Venezuela has served

OPEC to the Oil Industry: "You've Got Yourself a Partner"

Here, in polite but unmistakable language, a spokesman for the oil countries talks about what his clients want. He is Dr. Nadim Pachachi, 58, an Iraqi oil engineer and economist, a Ph.D. from London University. Pachachi runs the Organization of Petroleum Exporting Countries, a—so far—united front. He was interviewed in Vienna by Arthur Jones, Forbes' European bureau chief, who asked:

What are OPEC's minimum terms?

PACHACHI: A policy that begins with a 20% participation in the production and over the years increases to 51% through negotiation.

Pachachi wouldn't discuss a timetable for going from 20% to 51% but his implication was, it would be sooner rather than later. He also seemed to imply that book value, rather than market value, would determine any compensation that the oil companies could expect.

If the agreement reached is 20% participation within the next two years, or the next ten years, then this will be the figure for all. If the agreement says book value for compensation, then it will be book value for all. If we agree to sell to the companies involved the oil we get from participation, it will be that way for all.

FORBES reminded Pachachi that the oil companies already had firm

deals with most of the countries, and the existing deals said nothing about equity participation.

They have an agreement that lasts until the end of the century. We all know that. But the oil companies must accept that times and circumstances have changed. Some of these contracts are 30 years old. It is a different world.

Equity participation is nothing new. It is an economic fact of life. Just about all new ventures in the Middle East in the last 14 years have had to accept participation. The prime example is the joint exploration and production venture between AGIP [the marketing and exploration division of ENI, Italy's state-owned energy holdings company, Ente Nazionale Idrocarburi] and the National Iranian Oil Co., the oil arm of the Iranian government, in August 1957.

Since then, NIOC has really spread out. Perhaps its most daring move is the formation of a partnership with

British Petroleum to apply for exploration and drilling licenses in the North Sea, a good example of how international at least one OPEC nation already considers itself. NIOC currently has joint refineries in South Africa and Belgium, as well as on its native soil. Others? Look at the recent history of any U.S. independent in the Middle East.

Pachachi went on to say that the OPEC countries were not just after money this time, but that money is important; hence they would be careful not to upset the world market or gouge foreign consumers.

We know a little bit about the industry. We are as concerned about the maintenance of prices as the oil companies. We are not about to upset the market. We realize the companies have long-standing commitments, and the quantities to meet those commitments will still be produced. Part or all of our 20% participation will be made available to the oil companies.

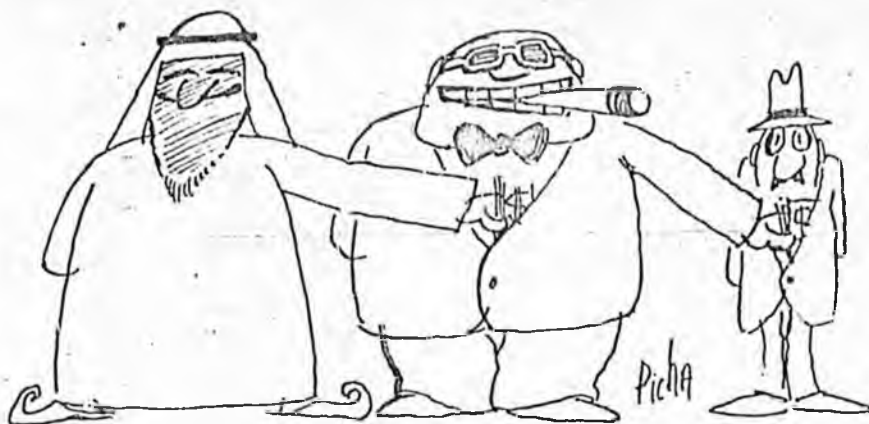
I don't think consumers will be affected at all. We are not going to sell that oil at higher prices than the current market, nor will the oil companies have to buy it from us at higher than market prices. In fact, we shall give them a discount, an incentive discount, to buy our share.

notice that it will not renew the concessions the companies hold there when they expire, starting in 1983. In Iran, the concessions expire in 1979, and Iran has been making noises about not extending them. Now the Russians are moving in; they've just completed deals with Libya and Iraq to help develop those nations' oil fields.

And now, the Organization of Petroleum Exporting Countries* is facing the companies with a demand for participation. This is not confiscation, but it could lead to eventual takeover with minimal compensation. The oil companies, jumpy and anxious not to give offense, will say nothing about the negotiations. OPEC, however, is very outspoken (*see interview below*). It says it wants a 20% participation in the oil produced. It wants to own more later. How much later? It is purposely vague.

The companies, naturally, are resisting. "We don't accept the principle of participation," says Thomas J. Garland, public affairs adviser of Mobil Oil. However, if the past is prologue, what OPEC wants, OPEC

*Abu Dhabi, Algeria, Indonesia, Iran, Iraq, Kuwait, Libya, Nigeria, Qatar, Saudi Arabia and Venezuela.



Ben Roth Agency

eventually will get; for, as John H. Lichtblau of the Petroleum Industry Research Foundation says: "You cannot argue with a sovereign nation." Nor does anyone doubt that, once the OPEC countries establish the principle of participation, they will demand more and more and more. As Nadim Pachachi, OPEC secretary general, told FORBES, "Times change."

The precedents aren't encouraging. After Algeria gained independence from France, it also gained a small partnership role with the French oil

companies operating in the country. Every time the agreement was renegotiated, Algeria demanded a larger role. Now Sonatrach, the government oil company, has 51% control. In Chile, Kennecott in 1967 agreed to sell the government a 51% interest in its El Teniente mine. Four years later, the Chilean congress passed a law nationalizing all mining properties.

Rightly or wrongly, this is the nationalistic temper of the times. Intellectuals in the underdeveloped countries ask why, since oil is based on

What then are you basically after, FORBES asked?

PACHACHI: The ultimate object is participation downstream, certainly refining. Some OPEC countries are already doing it. There is participation in refineries with India or Pakistan. The Iraqi government is attempting the same. We're interested in joint ventures, upstream and downstream—refining, for example. Everything except exploration in the North Sea. Already a start has been made, and we shall be able to participate in the costs of this form of venture. The companies that complain about lack of capital for expansion might find that eased if they are willing to participate.

As Pachachi talked, OPEC's long-range goal became clear, disturbingly clear so far as the oil companies are concerned. No longer would the U.S. and Europe and, perhaps, Japan own the oil industry. The OPEC countries want to stop being hewers of wood and drawers of water. They want to sell, not raw materials, but finished materials that have a high-technology content.

No longer will oil be something to sell to get cash to buy goods from industrialized countries. That same oil now will be a basis for industrialization at home. Not only will there be Arab oil, there will be Arab gasoline

and Arab chemicals and Arab plastics—and Arab executives and engineers.

PACHACHI: Look at this from the OPEC countries' point of view. Oil is

Pachachi of OPEC



a better investment for us than other major industries are. Some OPEC countries have no other industries. To want to invest upstream and downstream with outside oil companies is very logical.

Take Abu Dhabi, to which I am adviser. We have agreements with majors, we have agreements with independents like Phillips, or ENI or Mitsubishi or Abu Dhabi Oil [Japanese] which are joint ventures already.

In Abu Dhabi we have an option to take 50% of the production upstream. We are participating in the costs 50-50, and participating in the development through certain agreements once production reaches certain levels. At the level of 200,000 barrels per day, a refinery would be built in Abu Dhabi for exporting the refined oil. We would participate in that. Of course, it all depends on finding the right amount of oil.

If the oil companies give in, Pachachi said, there would be no sudden wrenches: "All this would happen gradually. Perhaps over a couple of decades."

If the oil companies continue to say "no" to partnerships? Late last month King Faisal of Saudi Arabia, leader of the OPEC moderates, gave the answer: "Legislation." By which, of course, he meant: Expropriation.