

Leg. Finance - House & Senate Finance Comte Files (1975-76) 399

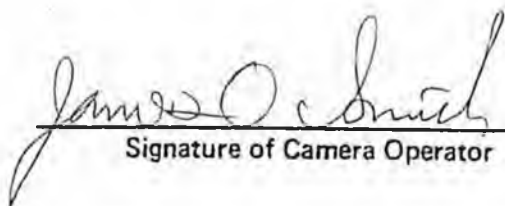
HB 323, 324, CSHB 324, HB 327, 328

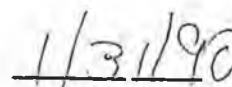


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Signature of Camera Operator


Date

COMMITTEE REPORT

3/30/77

HOUSE

FINANCE

Mr. Speaker:

Date March 30, 1977

The Committee on FINANCE has had hb 323

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 REFERPED 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:

[Signature] Chairman

1 IN THE HOUSE

2 IN THE LEGISLATURE OF THE STATE OF ALASKA

3 NINTH LEGISLATURE - FIRST SESSION

4 A Bill

5 For an Act entitled: "An Act relating to the University of
6 Alaska Anchorage Campus Student Center
7 Revenue Fund."

8 * Section 1. Subparagraph (a), section 1, Ch. 93, SLA
9 1974 is amended to read:

10 Section 1.(a) There is a special fund of the univer-
11 sity to be known as the "Anchorage Campus Student Center
12 Revenue Fund" which shall be completely segregated and
13 set apart from all other funds of the university, which is
14 a trust fund for the uses and purposes provided in this
15 Act, and into which shall be paid ~~(25)~~ 35 per cent of all
16 student fees, or a lesser per cent of all student fees
17 determined by the board, and special fee assessments as
18 determined by the board.

19 * Sec. 2. This Act takes effect immediately in accordance
20 with the provisions of AS 01.10.070(c).
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The Legislature of the State of Alaska
FISCAL NOTE

First Session - Ninth Legislature

I. REQUEST

Bill No. HOUSE BILL No. 323
 Title: Relating to the U of A Anchorage Campus Student Revenue Fund.
 Requested by: House Finance Committee Date: 3/21/75
 Return Date Requested: _____
 Agency: _____ Program: _____

II. FISCAL DETAIL

Budget Request Unit(s) Affected: University of Alaska

A. EXPENDITURES: (Thousands of dollars)

OBJECT	FY 75	FY 76	FY 77	FY 78	FY 79	FY 80
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL						
400 COMMODITIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC.						
Reserve Requirement				95.0		
TOTAL						

B. FUNDING: (Thousands of dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER (Student fees)				95.0		

C. POSITIONS:

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

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

Current legislation authorizes the U/A to pledge up to 25% of student fees to amortize the revenue bond issue, thus providing a coverage of 125% in the most critical year (GY 78). The bonds have been rated therefore at "BAA". U/A received no bids on March 18 for these bonds. Increasing the allowable percentage of student fees available for redemption and coverage to 35% will provide coverage of 150% of maximum debt service and will cause a rate change to "A". U/A's bond counsel have stated that bonds with this rating will be readily sold in time to award construction contracts this year (April 24).

IV.

V. DATE: March 21 / 75 PREPARED BY: R. Stollen

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

CORRECTION

THIS DOCUMENT
HAS BEEN REPHOTOGRAPHED
TO ASSURE LEGIBILITY

1 IN THE HOUSE

2 IN THE LEGISLATURE OF THE STATE OF ALASKA

3 NINTH LEGISLATURE - FIRST SESSION

4 A Bill

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18 determined by the board.

19 * Sec. 2. This Act takes effect immediately in accordance
20 with the provisions of AS 01.10.070(c).
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FISCAL NOTE

First Session - Ninth Legislature

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100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL						
400 COMMODITIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC.						
Reserve Requirement				95.0		
TOTAL						

B. FUNDING: (Thousands of dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER (Student fees)				95.0		

C. POSITIONS:

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

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IV.

V. DATE: March 21/75 PREPARED BY: [Signature]

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

University of Alaska Student Union Revenue Bonds.

Existing Legislation
(provides 25% of student fees)

<u>Projected Revenue</u>		<u>Expenditure</u>
FY 76	\$490.0	\$480.0 - interim finance
FY 77	\$562.0	\$480.0 - interim finance
FY 78*	\$659.8	\$580.0 - interim finance and reserve (\$100,000)
FY 79	\$770.1	\$580.0 - interim finance and reserve (\$100,000)

*Coverage shortfall - \$94,200 for FY 78 only @ 125% of debt service.

Proposed Legislation
(Provides 35% of student fees)

<u>Projected Revenue</u>		<u>Expenditure</u>
FY 76	\$686.0	\$480.0 as above
FY 77	\$787.8	\$480.0 "
FY 78*	\$933.7	\$580.0 "
FY 79	\$1078.7	\$580.0 "

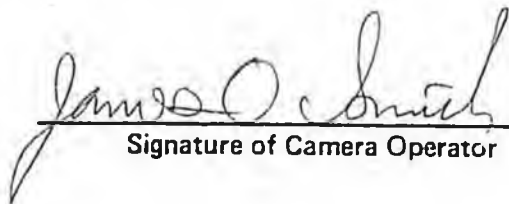
*Coverage adequate @ 150% of debt service.

NOTE: The coverage is not encumbered or otherwise lost to U/A's general fund except in that fiscal year, but merely provides bond holders with a greater assurance of protection in case of a dramatic drop in enrollment.



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Signature of Camera Operator


Date

'An Act establishing the Alaska mineral lease bonus permanent fund and providing for an effective date.'

COMMITTEE REPORT

3/21/75

HOUSE

Mr. Speaker:

Date Mar 27, 1975

The Committee on FINANCE has had HR 324

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)

(X) recommends it BE REPLACED WITH CS FOR HR 324 AND THAT
CS FOR HR 324 DO PASS

() "and" recommends it BE REFERRED TO THE _____
COMMITTEE

() reports it back WITHOUT RECOMMENDATION

() "other"

Members signing the Majority report:

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

Members NOT concurring in the Majority report:

 recommends:

 recommends:

 recommends:

 recommends:

 recommends:

[Signature] Chairman

BY MALONE, ANDERSON, BEIRNE, BOWMAN,
BRADLEY, BRADNER, BROWN, BUCHHOLDT,
COTTEN, COOPER, DAVIS, DUNN, ELIASON,
FISCHER, FREEMAN, GARDNER, GRUENING,
HACKNEY, HADGEN, HERSHBERGER, ITTA,
KELLEY, MCKINNON, MILLER, NAUGHTON, OSE,
OSTERBACK, OSTROSKY, PARKER, PAPE,
RHODE, SMITH, SPOCKING, SULLIVAN,
SWANSON AND URLON

IN THE HOUSE

HOUSE BILL NO. 324

IN THE LEGISLATURE OF THE STATE OF ALASKA

NINTH LEGISLATURE - FIRST SESSION

A BILL

For an Act entitled: "An Act establishing the Alaska mineral lease bonus permanent fund; and providing for an effective date."

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

* Section 1. AS 37.11 is amended by adding new sections to read:

CHAPTER 11. PERMANENT [RENEWABLE RESOURCES] FUNDS.

ARTICLE 2. ALASKA MINERAL LEASE BONUS PERMANENT FUND.

Sec. 37.11.100. PURPOSE. The legislature finds and declares that it is essential to preserve the revenue derived from mineral lease bonus sales, a non-renewable resource, for future generations of Alaskans, and further, that this purpose best can be served by preserving this income in a permanent fund to be used for investment capital by Alaska residents.

Sec. 37.11.110. ALASKA MINERAL LEASE BONUS PERMANENT FUND. There is established as a separate fund the Alaska mineral lease bonus permanent fund. Receipts designated under sec. 120 of this chapter for deposit in the permanent fund are to be held perpetually in trust for the benefit of both present and future generations of Alaskans.

Sec. 37.11.120. FUND PRINCIPAL. Ninety-five per cent of the receipts paid the state from mineral lease bonuses shall be deposited in the permanent fund. These deposits shall be considered fund principal and shall be invested in perpetuity in accordance with AS 37.10.070 (investment of surplus state funds). However, the types of investments that may be made are limited to:

(1) obligations of, or obligations insured or guaranteed by,

1 the United States or agencies or instrumentalities of the United States;

2 (2) obligations secured by reserves paid in by the United
3 States or agencies or instrumentalities of the United States or obliga-
4 tions of corporations in which the United States is a shareholder or
5 member;

6 (3) notes issued by Farmer's Home Administration;

7 (4) bank certificates of deposit which are secured as to the
8 payment of principal and interest in accordance with Alaska law; or

9 (5) state loan programs that are designed by law as eligible
10 for permanent fund investment.

11 Sec. 37.11.130. USE OF FUND INCOME. (a) Income received from
12 investment fund principal may be:

13 (1) reinvested in investments authorized under sec. 120 of
14 this chapter;

15 (2) appropriated for the administration of the fund; or

16 (3) appropriated to provide funding for operating or capital
17 expenditures for loan or grant programs that are expressly established
18 by law for financing from this fund and are designed to assist:

19 (A) individuals who have been residents of the state for
20 at least five years;

21 (B) corporations for which Alaska is the principal place
22 of business that have been operating continuously in the state for
23 at least three years; or

24 (C) public corporations or political subdivisions of the
25 state.

26 (b) Plans for expenditures of fund income under (a) of this section
27 shall be prepared in detail by the appropriate state department or agency
28 and shall be submitted by the governor in accordance with the Executive
29 Budget Act (AS 37.07) as part of his annual budget presentation to the

legislature.


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Sec. 37.11.140. PROTECTION OF PRINCIPAL. An investment transaction involving fund principal which results in an actual dollar loss of principal shall be reimbursed in full from fund income before additional income is expended.

* Sec. 2. This Act takes effect immediately in accordance with AS 01.10.-070(c).

Sterling Gallagher
Commissioner
Department of Revenue

March 27, 1975

Lawrence C. Eppenbach 
Deputy Commissioner
Department of Revenue

Treasury Comments on
HB 324 and SB 297

This memorandum summarizes preliminary Treasury comments on HB 324 and SB 297, Acts establishing an Alaska mineral lease bonus permanent fund. In general the Treasury Division supports measures which set aside a portion of revenue from petroleum discovery to better plan for the day when Alaska's nonrenewable wealth will be gone. We are also deeply involved in the financial planning required for the state to meet the crunch coming in Fiscal Years 1976-1978 which both bills may directly effect. Our comments, will be limited to those of a technical nature and will not include an assessment of the revenue effect of setting aside bonus payments.

General

HB 324 and SB 297 proposes to create a permanent fund by an act of legislation morally obligating future legislatures to leave it intact. Once begun, such a fund may acquire a long term character.

Contributions

The deposit of 95% of mineral lease bonus into a permanent fund would cause a total of 102% to be dedicated (5% Renewable Resource, 2% Claims Act). In addition, the sharing of cash bonus as distinct from royalty payments, rentals, etc. would add a new dimension to the question of whether the state should adopt royalty bid lease contracts.

The most critical aspect of a 95% bonus sharing is the previously mentioned impact on planning the state's financial response to our temporary crunch. A smaller percentage, or a staggered increasing percentage over time, or a delayed effective date would all improve the chances for a bonus sale this year to help the State meet its pending financial obligations.

Investment

A long term fund should have broad investment authority exercised at the discretion of professional investment managers held responsible for their actions under a prudent man rule. Such investment authority would allow the fund to take maximum advantage of imperfect markets (made so because of constraints placed on other funds) to achieve a high return.

Ideally a permanent fund has its portfolio balanced between instruments achieving a high "economic" total return; such as certain Alaskan investments, and those achieving a high cash return to provide a hedge against inflation.

AS 37.10.070 provides a comprehensive list of desirable investment instruments including a full range of short and long term fixed income investments, Alaskan residential and commercial mortgages and common stock. The Treasury division recommends that this list be adopted intact. Should there be an absolute need to eliminate a particular form of investment, such as common stock, then it should be specifically deleted. The approach taken by HB 324 imposes unnecessary and undesirable limitations on the range of legal investments.

Use of Fund Income

There is some concern expressed in Treasury as to the legality of (a) (3) regarding the limitations on appropriations of fund income. The approach taken in SB 297 (otherwise identical) of deleting this portion obviously removes this issue. However, we are not attorneys and suggest a review of this provision by the Department of Law.

Additional Points

The proceeds of cash bonus bids add to the state's total stock of wealth. It would be desirable to continue to have claim to this total wealth to secure State GO bonds. Rating agencies have expressed concern that any division of our resource development proceeds may injure our ability to secure debt. Of course, any legislature could appropriate these funds to meet the debt service requirements of state bonds. However, a bond buyer would be more assured and hence require less interest if such a pledge was made specifically.

Cost of Administration

The Treasury Division does not anticipate any cost of administration requiring a fiscal note at this time with acceptance of Treasury's proposed 1976 budget. Future expenses, not expected to be large, would be displayed in future annual budgets.

Mr. Chairman:

I appreciate deeply your courtesy in allowing me to submit my views concerning House Bill 324. I am precluded from returning to Juneau this evening because of a conference in Anchorage and a public hearing of the Anchorage Charter Commission, of which I am a member.

Mr. Chairman, I am confident that Alaskans welcome your leadership in seeking to provide approaches for State budgeting that are more rational, and better planned, than approaches followed in the past. Leadership in that direction is long overdue. Too often, the appropriation process has been viewed as an area in which special interests contend for advantage--"Log rolling" that has tended to swell State operating budgets.

At the same time, the Legislature's use of bonus moneys received in 1969 has been generally wise. It has almost always been humane. As one Alaskan, I would prefer that my representatives err--if err they must--on the side of efforts to improve the quality of life in Alaska, rather than to err on the side of indifference to human need. The Legislature can take pride in the strides we have made in communications, social services, education, and other fields which have benefited from the use of the 1969 bonus money.

House Bill 324's assumptions about State expenditures are so important to Alaska's future that I respectfully suggest that the measure needs full-scale public involvement before the Legislature. For if--as the Administration urges--Alaskans are to be engaged directly in the kind of basic decision-making that helps plot our course for future generations, then these assumptions need

Handwritten notes:
Huff -
here is the
testimony I
prepared on
the original
HB 324 which
I promised
Lant report to
Deliver.
Regards -
Joe
Josephson

that involvement, and if--as the Administration wishes--we are to assess even-handedly all alternative revenue and expenditure policies, the House Bill 324 should not be viewed in the abstract, in a vacuum, or as a disembodied proposition, but should rather be considered for its effects on other options of revenue-raising and expenditure.

And finally, if--as the Administration says we must--we are to weigh State actions carefully for their effects on State growth rates, then House Bill 324 should be studied in that light.

As I understand it, a basic concept of House Bill 324 is that non-renewable resource receipts should not be employed to meet ongoing expenses of State government. Speaking as a former legislator, and as a citizen, I must be frank in admitting my doubts about that concept, even though my view may not square with the common wisdom of the time. But of this I am sure: conceptually, royalty income and production taxes are just as much receipts from non-renewable resources as are bonuses. It is unclear why one type of petroleum revenue is to be barred from use in the operating budget, while other types would not be barred. Perhaps it is recognized that some use of non-renewable resource revenue has to be included in the operating budget as a practical matter. Perhaps it is argued that the State constitution prohibits a dedication of royalty income and severance taxes, but allows a dedication of bonus receipts. But if legal arguments are the reason for the distinction implicit in House Bill 324, then I suggest that

at least royalty income and bonus bids are on the same constitutional footing.

Mr. Chairman, members of your committee have also shown leadership in attempting to get better information for the Legislature's budgetary planning. I have personal knowledge of the efforts made by Representative Cowper, for example, to increase the flow of knowledge about pipeline costs to the Committee. Few would argue that these efforts are inappropriate; most Alaskans would agree that they emanate from a high sense of public responsibility.

In that light, the consideration of House Bill 324, at this time, is striking. All of us know that some estimates have been made of some matters that these estimates may not be proved accurate. Indeed, it has been the very uncertainty about some issues--the cost of the pipeline, the amount of bonuses to be received from a Beaufort sale--that has led to the introduction of measures to tax oil and gas in place. These uncertainties should be cautions against the passage at this session of a bill that treats the unknown as known. House Bill 324 assumes that the best use of 95 per cent of income from bonuses is in revenue sharing and in particular, but unspecified, "loan or grant programs.. designed to assist individuals and corporations". Social programs-- in education, in improvement of state institutions for corrections, health care, the elderly, etc.--take a back seat. Although a premise of the bill is the desire to avoid a swelling State bureaucracy, the measure may increase the size of bureaucracies at local government levels by compelling a movement of programs from one level of

government--the State--to local governments because of the prohibition against using bonus receipts directly by the State except for limited purposes. I doubt that such an artificially induced movement of programs will prove to be cost effective or in the public interest. I believe such a movement of progress would be especially detrimental to the interests of residence of the unorganized borough.

If State functions should be delegated to local governments, then that is a process that should be considered on its own merits; it should not occur as a by-product of legislation restricting the State's use of its own revenues.

House Bill 324 assumes that "pressure" from Alaska citizens for expenditures are essentially wrong, and that the people's representatives need greater insulation from these pressures--to protect the public from itself. I believe this assumption needs public involvement and scrutiny.

The State's investment in human programs--retarded children, aid for dependent children, establishment of pre-school child care centers, treatment for alcoholics and addicts--may be far more appropriate use of the bonus moneys than loans to Alaska's businessmen. Perhaps I am wrong. Perhaps the "trickle down" theory can be vindicated. But the essential point is that on March 26, 1975, we as Alaskans need to address that proposition directly, not obliquely, and with public involvement. How much revenue will the State stand to collect from prospective sales of leaseable tracts? How much money from these sales, or the income from them, can be absorbed effectively into the Alaska

economy? To what extent would beneficiaries from the loans and grants be using public money for purposes that private money is-- or will become--available to fund? What will such expenditures do to the State's rate of growth? If the growth rate is stimulated, what will happen then to the State's budget, and how will growth-induced pressures on the budget be met?

Because of this Committee's commitment to sound budgetary planning, and the acquisition of helpful information in the planning process, I would hope that some modeling, based upon alternative assumptions, could be studied before action on House Bill 324.

Mr. Chairman, in my service as a legislator, I opposed the creation of so-called permanent funds. My bias--if that is what it is--should be well known, and if it is not, I want to be sure that the Committee understands that my point of view has been of long standing. I simply don't believe that any legislature is necessarily wiser than its successors, and I don't believe that business loans to individuals and corporations are more worthy use of public funds than educational, health, and social services, and other programs that benefit directly those who must rely most on government for "an equal start in the race of life".

But philosophy aside, House Bill 324 presents another question. If it be in the public interest to create a permanent fund, then consideration should be given to the creation of the fund through the constitutional amendment process. The amendment process has in its favor the direct involvement of Alaskans in a matter of

fundamental importance, and true permanency. Other possibilities exist and should be explored: for example, perhaps legislation, or constitutional amendment, should limit the amount by which one year's budget may exceed the budget for the prior year, leaving the Legislature in complete control in setting priorities for using the available sum. This course has the merit of avoiding any predetermination about the wisest and most cost-effective spending priorities.

Mr. Chairman, Mr. Eppenbach offered some technical comments this week which I will not repeat here. In my role as legislative counsel for BP-Alaska, I would only add that House Bill 324 makes more likely the imposition of a tax on oil and gas in place. That is a tax which many members of the House say should be adopted only as "a last resort". House members understand the detrimental consequences to the public of such a tax; many of these consequences were outlined in February by Dr. Milton Lipton, consultant to the Legislature on petroleum policy.

For example, Dr. Lipton advised committees that a tax on oil and gas in place--more likely to occur if Beaufort lease revenues can not be used for State operating expenses--would have what Dr. Lipton called a "depressant effect" upon the size of competitive bonuses received by the State. Such considerations are germane to the question of House Bill 324.

For that reason, and others, the Legislature should encourage the Governor to conduct a Beaufort lease sale late this year. Then the Legislature can assess the results and consider more aptly whether a regressive tax, giving a "depressant" effect on overall revenues,

is necessary. We can test again the effectiveness of the competitive lease system. If a permanent fund is established, we can reach a judgement - with public involvement - as to:

- whether 95 percent of bonuses or some other percentages should be committed to a permanent fund, and if so for what purposes,
- whether the establishment of such a fund should occur by constitutional amendment;

Mr. Chairman, time has not permitted me to address House Bill 324 from every aspect, but I hope that the foregoing comments are of assistance to the Committee. I am grateful for the opportunity given me to submit them.

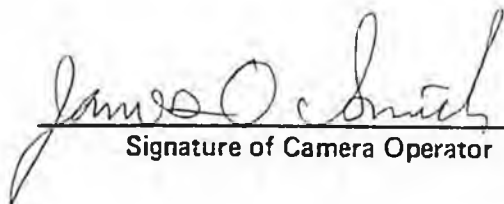
Joe P. Josephson

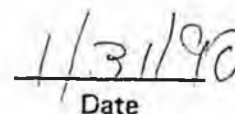


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Signature of Camera Operator


Date

Committee Report

S E N A T E

4/4/75

5/20/75

Date

Mr. President:

The Committee on FINANCE has had CS 201 establishing the Alaska Mineral Lease Bonus Payment Fund 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 *indiv. as amended.*
- (other) _____

MEMBERS SIGNING THE MAJORITY REPORT:

MEMBERS NOT CONCURRING IN THE MAJORITY REPORT:

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

CHAIRMAN

A M E N D M E N T

Offered in the SENATE

By SENATE FINANCE

To: _____ SENATE BILL NO. _____

35 HOUSE BILL NO. 314

AMENDMENT: Page 1 Line 23

DELETE: "Ninety" per cent

INSERT: "Ninety" per cent

Original sponsor: Malone, Beirne,
Bowman, et al

Offered: 3/28/75
Referred: Rules

1 IN THE HOUSE

BY THE FINANCE COMMITTEE

2

CS FOR HOUSE BILL NO. 324

3

IN THE LEGISLATURE OF THE STATE OF ALASKA

4

NINTH LEGISLATURE - FIRST SESSION

5

A BILL

6

For an Act entitled: "An Act establishing the Alaska mineral lease bonus
7 permanent fund; and providing for an effective date."

8

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

9

* Section 1. AS 37.11 is amended by adding new sections to read:

10

CHAPTER 11. PERMANENT [RENEWABLE RESOURCES] FUNDS.

11

ARTICLE 2. ALASKA MINERAL LEASE BONUS PERMANENT FUND.

12

Sec. 37.11.100. PURPOSE. The legislature finds and declares that
13 it is essential to preserve the revenue derived from mineral lease bonus
14 sales, a non-renewable resource, for future generations of Alaskans, and
15 further, that this purpose best can be served by preserving this income
16 in a permanent fund to be used for investment capital by Alaska resi-
17 dents.

18

Sec. 37.11.110. ALASKA MINERAL LEASE BONUS PERMANENT FUND. There
19 is established as a separate fund the Alaska mineral lease bonus perman-
20 ent fund. Receipts designated under sec. 120 of this chapter for deposit
21 in the permanent fund are to be held perpetually in trust for the benefit
22 of both present and future generations of Alaskans.

23

Sec. 37.11.120. FUND PRINCIPAL. Ninety per cent of the receipts
24 paid the state from mineral lease bonuses shall be deposited in the
25 permanent fund. These deposits shall be considered fund principal and
26 shall be invested in perpetuity in accordance with AS 37.10.070 (invest-
27 ment of surplus state funds) or in state loan programs that are
28 designated by law as eligible for permanent fund investment; however, no
29 funds may be invested in common or preferred stocks.

1 Sec. 37.11.130. USE OF FUND INCOME. (a) Income received from
2 investment fund principal may be:

3 (1) reinvested in investments authorized under sec. 120 of
4 this chapter;

5 (2) appropriated for the administration of the fund; or

6 (3) appropriated to provide funding for operating or capital
7 expenditures for programs that are expressly established by law.

8 (b) Plans for expenditures of fund income under (a) of this section
9 shall be prepared in detail by the appropriate state department or agency
10 and shall be submitted by the governor in accordance with the Executive
11 Budget Act (AS 37.07) as part of his annual budget presentation to the
12 legislature.

13 Sec. 37.11.140. PROTECTION OF PRINCIPAL. An investment transaction
14 involving fund principal which results in an actual dollar loss of prin-
15 cipal shall be reimbursed in full from fund income before additional
16 income is expended.

17 * Sec. 2. This Act takes effect immediately in accordance with AS 01.10.-
18 070(c).

BY MALONE, ANDERSON, BELKNE, BOWMAN,
BRADLEY, BRADNER, BROWN, BUCHHOLDT,
COTTEN, COWPER, DAVIS, DUNCAN, ELIASON,
FISCHER, FREEMAN, GARDINER, GRUENING,
HACKNEY, HAUGEN, HERSHEBERGER, ITTA,
KELLEY, MCKINNON, MILLER, NAUGHTON, OSE,
OSTERBACK, OSTROSKY, PARKER, PARR,
RHODE, SMITH, SPECKING, SULLIVAN,
SWANSON AND URION

1 IN THE HOUSE

2 HOUSE BILL NO. 324

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 NINTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act establishing the Alaska mineral lease bonus
7 permanent fund; and providing for an effective date."

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

9 * Section 1. AS 37.11 is amended by adding new sections to read:

10 CHAPTER 11. PERMANENT [RENEWABLE RESOURCES] FUNDS.

11 ARTICLE 2. ALASKA MINERAL LEASE BONUS PERMANENT FUND.

12 Sec. 37.11.100. PURPOSE. The legislature finds and declares that
13 it is essential to preserve the revenue derived from mineral lease bonus
14 sales, a non-renewable resource, for future generations of Alaskans, and
15 further, that this purpose best can be served by preserving this income
16 in a permanent fund to be used for investment capital by Alaska resi-
17 dents.

18 Sec. 37.11.110. ALASKA MINERAL LEASE BONUS PERMANENT FUND. There
19 is established as a separate fund the Alaska mineral lease bonus perman-
20 ent fund. Receipts designated under sec. 120 of this chapter for deposit
21 in the permanent fund are to be held perpetually in trust for the benefit
22 of both present and future generations of Alaskans.

23 Sec. 37.11.120. FUND PRINCIPAL. Ninety-five per cent of the
24 receipts paid the state from mineral lease bonuses shall be deposited in
25 the permanent fund. These deposits shall be considered fund principal
26 and shall be invested in perpetuity in accordance with AS 37.10.070
27 (investment of surplus state funds). However, the types of investments
28 that may be made are limited to:

29 (1) obligations of, or obligations insured or guaranteed by,

1 the United States or agencies or instrumentalities of the United States;

2 (2) obligations secured by reserves paid in by the United
3 States or agencies or instrumentalities of the United States or obliga-
4 tions of corporations in which the United States is a shareholder or
5 member;

6 (3) notes issued by Farmer's Home Administration;

7 (4) bank certificates of deposit which are secured as to the
8 payment of principal and interest in accordance with Alaska law; or

9 (5) state loan programs that are designed by law as eligible
10 for permanent fund investment.

11 Sec. 37.11.130. USE OF FUND INCOME. (a) Income received from
12 investment fund principal may be:

13 (1) reinvested in investments authorized under sec. 120 of
14 this chapter;

15 (2) appropriated for the administration of the fund; or

16 (3) appropriated to provide funding for operating or capital
17 expenditures for loan or grant programs that are expressly established
18 by law for financing from this fund and are designed to assist:

19 (A) individuals who have been residents of the state for
20 at least five years;

21 (B) corporations for which Alaska is the principal place
22 of business that have been operating continuously in the state for
23 at least three years; or

24 (C) public corporations or political subdivisions of the
25 state.

26 (b) Plans for expenditures of fund income under (a) of this section
27 shall be prepared in detail by the appropriate state department or agency
28 and shall be submitted by the governor in accordance with the Executive
29 Budget Act (AS 37.07) as part of his annual budget presentation to the

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legislature.

Sec. 37.11.140. PROTECTION OF PRINCIPAL. An investment transaction involving fund principal which results in an actual dollar loss of principal shall be reimbursed in full from fund income before additional income is expended.

* Sec. 2. This Act takes effect immediately in accordance with AS 01.10.-070(c).

Sterling Gallagher
Commissioner
Department of Revenue

March 27, 1975

Lawrence C. Eppenbach 
Deputy Commissioner
Department of Revenue

Treasury Comments on
HB 324 and SB 297

This memorandum summarizes preliminary Treasury comments on HB 324 and SB 297, Acts establishing an Alaska mineral lease bonus permanent fund. In general the Treasury Division supports measures which set aside a portion of revenue from petroleum discovery to better plan for the day when Alaska's nonrenewable wealth will be gone. We are also deeply involved in the financial planning required for the state to meet the crunch coming in Fiscal Years 1976-1978 which both bills may directly effect. Our comments, will be limited to those of a technical nature and will not include an assessment of the revenue effect of setting aside bonus payments.

General

HB 324 and SB 297 proposes to create a permanent fund by an act of legislation morally obligating future legislatures to leave it intact. Once begun, such a fund may acquire a long term character.

Contributions

The deposit of 95% of mineral lease bonus into a permanent fund would cause a total of 102% to be dedicated (5% Renewable Resource, 2% Claims Act). In addition, the sharing of cash bonus as distinct from royalty payments, rentals, etc. would add a new dimension to the question of whether the state should adopt royalty bid lease contracts.

The most critical aspect of a 95% bonus sharing is the previously mentioned impact on planning the state's financial response to our temporary crunch. A smaller percentage, or a staggered increasing percentage over time, or a delayed effective date would all improve the chances for a bonus sale this year to help the State meet its pending financial obligations.

Investment

A long term fund should have broad investment authority exercised at the discretion of professional investment managers held responsible for their actions under a prudent man rule. Such investment authority would allow the fund to take maximum advantage of imperfect markets (made so because of constraints placed on other funds) to achieve a high return.

Ideally a permanent fund has its portfolio balanced between instruments achieving a high "economic" total return; such as certain Alaskan investments, and those achieving a high cash return to provide a hedge against inflation.

AS 37.10.070 provides a comprehensive list of desirable investment instruments including a full range of short and long term fixed income investments, Alaskan residential and commercial mortgages and common stock. The Treasury division recommends that this list be adopted intact. Should there be an absolute need to eliminate a particular form of investment, such as common stock, then it should be specifically deleted. The approach taken by HB 324 imposes unnecessary and undesirable limitations on the range of legal investments.

Use of Fund Income

There is some concern expressed in Treasury as to the legality of (a) (3) regarding the limitations on appropriations of fund income. The approach taken in SB 297 (otherwise identical) of deleting this portion obviously removes this issue. However, we are not attorneys and suggest a review of this provision by the Department of Law.

Additional Points

The proceeds of cash bonus bids add to the state's total stock of wealth. It would be desirable to continue to have claim to this total wealth to secure State GO bonds. Rating agencies have expressed concern that any diversion of our resource development proceeds may injure our ability to secure debt. Of course, any legislature could appropriate these funds to meet the debt service requirements of state bonds. However, a bond buyer would be more assured and hence require less interest if such a pledge was made specifically.

Cost of Administration

The Treasury Division does not anticipate any cost of administration requiring a fiscal note at this time with acceptance of Treasury's proposed 1976 budget. Future expenses, not expected to be large, would be displayed in future annual budgets.

Mr. Chairman:

I appreciate deeply your courtesy in allowing me to submit my views concerning House Bill 324. I am precluded from returning to Juneau this evening because of a conference in Anchorage and a public hearing of the Anchorage Charter Commission, of which I am a member.

Mr. Chairman, I am confident that Alaskans welcome your leadership in seeking to provide approaches for State budgeting that are more rational, and better planned, than approaches followed in the past. Leadership in that direction is long overdue. Too often, the appropriation process has been viewed as an area in which special interests contend for advantage--"Log rolling" that has tended to swell State operating budgets.

At the same time, the Legislature's use of bonus moneys received in 1969 has been generally wise. It has almost always been humane. As one Alaskan, I would prefer that my representatives err--if err they must--on the side of efforts to improve the quality of life in Alaska, rather than to err on the side of indifference to human need. The Legislature can take pride in the strides we have made in communications, social services, education, and other fields which have benefited from the use of the 1969 bonus money.

House Bill 324's assumptions about State expenditures are so important to Alaska's future that I respectfully suggest that the measure needs full-scale public involvement before the Legislature. For if--as the Administration urges--Alaskans are to be engaged directly in the kind of basic decision-making that helps plot our course for future generations, then these assumptions need

Handwritten notes:
Huff -
here is the
testimony I
prepared on
the original
HB 324 which
I promised
last night to
deliver.
Regards -
Joe
Josephson

that involvement, and if--as the Administration wishes--we are to assess even-handedly all alternative revenue and expenditure policies, the House Bill 324 should not be viewed in the abstract, in a vacuum, or as a disembodied proposition, but should rather be considered for its effects on other options of revenue-raising and expenditure.

And finally, if--as the Administration says we must--we are to weigh State actions carefully for their effects on State growth rates, then House Bill 324 should be studied in that light.

As I understand it, a basic concept of House Bill 324 is that non-renewable resource receipts should not be employed to meet ongoing expenses of State government. Speaking as a former legislator, and as a citizen, I must be frank in admitting my doubts about that concept, even though my view may not square with the common wisdom of the time. But of this I am sure: conceptually, royalty income and production taxes are just as much receipts from non-renewable resources as are bonuses. It is unclear why one type of petroleum revenue is to be barred from use in the operating budget, while other types would not be barred. Perhaps it is recognized that some use of non-renewable resource revenue has to be included in the operating budget as a practical matter. Perhaps it is argued that the State constitution prohibits a dedication of royalty income and severance taxes, but allows a dedication of bonus receipts. But if legal arguments are the reason for the distinction implicit in House Bill 324, then I suggest that

at least royalty income and bonus bids are on the same constitutional footing.

Mr. Chairman, members of your committee have also shown leadership in attempting to get better information for the Legislature's budgetary planning. I have personal knowledge of the efforts made by Representative Cowper, for example, to increase the flow of knowledge about pipeline costs to the Committee. Few would argue that these efforts are inappropriate; most Alaskans would agree that they emanate from a high sense of public responsibility.

In that light, the consideration of House Bill 324, at this time, is striking. All of us know that some estimates have been made of some matters that these estimates may not be proved accurate. Indeed, it has been the very uncertainty about some issues--the cost of the pipeline, the amount of bonuses to be received from a Beaufort sale--that has led to the introduction of measures to tax oil and gas in place. These uncertainties should be cautions against the passage at this session of a bill that treats the unknown as known. House Bill 324 assumes that the best use of 95 per cent of income from bonuses is in revenue sharing and in particular, but unspecified, "loan or grant programs.. designed to assist individuals and corporations". Social programs-- in education, in improvement of state institutions for corrections, health care, the elderly, etc.--take a back seat. Although a premise of the bill is the desire to avoid a swelling State bureaucracy, the measure may increase the size of bureaucracies at local government levels by compelling a movement of programs from one level of

government--the State--to local governments because of the prohibition against using bonus receipts directly by the State except for limited purposes. I doubt that such an artificially induced movement of programs will prove to be cost effective or in the public interest. I believe such a movement of progress would be especially detrimental to the interests of residence of the unorganized borough.

If State functions should be delegated to local governments, then that is a process that should be considered on its own merits; it should not occur as a by-product of legislation restricting the State's use of its own revenues.

House Bill 324 assumes that "pressure" from Alaska citizens for expenditures are essentially wrong, and that the people's representatives need greater insulation from these pressures--to protect the public from itself. I believe this assumption needs public involvement and scrutiny.

The State's investment in human programs--retarded children, aid for dependent children, establishment of pre-school child care centers, treatment for alcoholics and addicts--may be far more appropriate use of the bonus moneys than loans to Alaska's businessmen. Perhaps I am wrong. Perhaps the "trickle down" theory can be vindicated. But the essential point is that on March 26, 1975, we as Alaskans need to address that proposition directly, not obliquely, and with public involvement. How much revenue will the State stand to collect from prospective sales of leaseable tracts? How much money from these sales, or the income from them, can be absorbed effectively into the Alaska

economy? To what extent would beneficiaries from the loans and grants be using public money for purposes that private money is-- or will become--available to fund? What will such expenditures do to the State's rate of growth? If the growth rate is stimulated, what will happen then to the State's budget, and how will growth-induced pressures on the budget be met?

Because of this Committee's commitment to sound budgetary planning, and the acquisition of helpful information in the planning process, I would hope that some modeling, based upon alternative assumptions, could be studied before action on House Bill 324.

Mr. Chairman, in my service as a legislator, I opposed the creation of so-called permanent funds. My bias--if that is what it is--should be well known, and if it is not, I want to be sure that the Committee understands that my point of view has been of long standing. I simply don't believe that any legislature is necessarily wiser than its successors, and I don't believe that business loans to individuals and corporations are more worthy use of public funds than educational, health, and social services, and other programs that benefit directly those who must rely most on government for "an equal start in the race of life".

But philosophy aside, House Bill 324 presents another question. If it be in the public interest to create a permanent fund, then consideration should be given to the creation of the fund through the constitutional amendment process. The amendment process has in its favor the direct involvement of Alaskans in a matter of

fundamental importance, and true permanency. Other possibilities exist and should be explored: for example, perhaps legislation, or constitutional amendment, should limit the amount by which one year's budget may exceed the budget for the prior year, leaving the Legislature in complete control in setting priorities for using the available sum. This course has the merit of avoiding any predetermination about the wisest and most cost-effective spending priorities.

Mr. Chairman, Mr. Eppenbach offered some technical comments this week which I will not repeat here. In my role as legislative counsel for BP-Alaska, I would only add that House Bill 324 makes more likely the imposition of a tax on oil and gas in place. That is a tax which many members of the House say should be adopted only as "a last resort". House members understand the detrimental consequences to the public of such a tax; many of these consequences were outlined in February by Dr. Milton Lipton, consultant to the Legislature on petroleum policy.

For example, Dr. Lipton advised committees that a tax on oil and gas in place--more likely to occur if Beaufort lease revenues can not be used for State operating expenses--would have what Dr. Lipton called a "depressant effect" upon the size of competitive bonuses received by the State. Such considerations are germane to the question of House Bill 324.

For that reason, and others, the Legislature should encourage the Governor to conduct a Beaufort lease sale late this year. Then the Legislature can assess the results and consider more aptly whether a regressive tax, giving a "depressant" effect on overall revenues,

is necessary. We can test again the effectiveness of the competitive lease system. If a permanent fund is established, we can reach a judgement - with public involvement - as to:

--whether 95 percent of bonuses or some other percentages should be committed to a permanent fund, and if so for what purposes,
--whether the establishment of such a fund should occur by constitutional amendment;

Mr. Chairman, time has not permitted me to address House Bill 324 from every aspect, but I hope that the foregoing comments are of assistance to the Committee. I am grateful for the opportunity given me to submit them.

Joe P. Josephson

FILE WITH BILL

STATE OF ALASKA

DEPARTMENT OF REVENUE

TREASURY DIVISION

JAY S. HAMMOND, Governor

POUCH SB—JUNEAU 99801

May 1, 1975

The Honorable Bill Ray
Chairman, Senate Finance Committee
State Capitol
Juneau, Alaska 99811

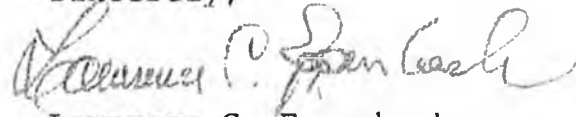
Dear Senator Ray:

I have enclosed a page containing our suggested changes to CS for House Bill No. 324 now before your Committee.

As I indicated to Jim Fennel in a telephone conversation last night I will be very happy to testify on CS for HB 324 should you plan to hold hearings on it.

Thank you for your consideration.

Sincerely,



Lawrence C. Eppenbach
Deputy Commissioner, Treasury

LCE:ge
Enclosure

cc: Sterling Gallagher

SUGGESTED CHANGES

OFFERED IN THE SENATE

BY: _____

TO: CS FOR HOUSE BILL NO. 324

PAGE 1 LINES 18-19

Delete the following "There is established" and insert the following in its place "The Department of Revenue shall establish."

PAGE 1 LINES 23-29

Delete section 37.11.120 and insert the following in its place:
Sec. 37.11.120. FUND PRINCIPAL. (a) Receipts paid the state from mineral lease bonuses shall be deposited in the permanent fund as follows:

- (1) 20 per cent beginning July 1, 1975;
- (2) 40 per cent beginning July 1, 1978; and
- (3) 60 per cent beginning July 1, 1981.

(b) The deposits shall be considered fund principal and shall be invested in perpetuity by the commissioner of revenue in accordance with AS 37.10.070 (investment of surplus state funds) or in state loan programs that are designated by law as eligible for permanent fund investment; however, no funds may be invested in common or preferred stocks. The state may also pledge all or a portion of the fund principal to secure payment of general obligation bonds of the state.

PAGE 2 LINES 15-16

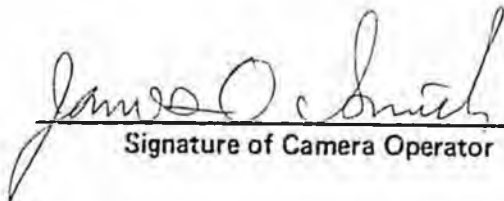
Delete "before additional income is expended" and insert the following in its place "by annual appropriation."



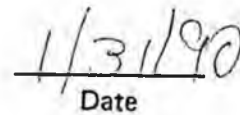
RECORDS CERTIFICATION



I, the undersigned, an employee of the State of Alaska, 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.



Signature of Camera Operator



Date

"An Act making a special appropriation to the Department of Health and Social Services; and providing for an effective date."

COMMITTEE REPORT

HOUSE

4/17/75

Mr. Speaker:

Date _____

The Committee on FINANCE has had HB 327

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

"An Act making a special appropriation to the Department of Health and Social Services; and providing for an effective date."

COMMITTEE REPORT

3/24/75

HOUSE

FINANCE

Mr. Speaker:

Date

4/16/75

The Committee on HESS has had HB 327

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:

Susan Sullivan

Alvin Osterback

Lawrence Miller

Hal Berman

Kathryn Oatsoley

Charles Pan

Members NOT concurring in the Majority report:

Jim Hackney recommends: NO REC

_____ recommends:

_____ recommends:

_____ recommends:

_____ recommends:

Susan Sullivan Chairman

966
Ken

Introduced: 3/24/75
Referred: Health, Education &
Social Services and Finance

BY BEIRNE, DUNCAN, OSTROSKY
AND SULLIVAN BY MEYER

1 IN THE HOUSE

2 HOUSE BILL NO. 327

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 NINTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act making a special appropriation to the Department
7 of Health and Social Services; and providing for an
8 effective date."

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

10 * Section 1. The sum of \$75,000 is appropriated from the general fund to
11 the Department of Health and Social Services for supplemental diagnostic and
12 prescriptive services provided through the Alaska Department of Health Child
13 Studies Centers.

14 * Sec. 2. This Act takes effect July 1, 1975.
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ALASKA STATE LEGISLATURE

NINTH Legislature FIRST Session

HOUSEBILL..... NO. ...327..
 By ...BLAIR, DUNCAN, OSTROSKY
 AND SULLIVAN

An Act making a special appro-
 priation to the Department of
 Health and Social Services; and
 providing for an effective date.

Appro. PASS

Introduced in the House 3/24/75, 19...75

HISTORY IN THE HOUSE

19 75	Read first time and referred to Committee on												
Mar 24	Health, Education & Social Services and Finance Reported back with recommendation that												
	Read second time and												
	Read third time and												
	<table border="0"> <tr> <td>PASS</td> <td>Effective Date</td> </tr> <tr> <td>Yeas</td> <td>Yeas</td> </tr> <tr> <td>Nays</td> <td>Nays</td> </tr> <tr> <td>Absent</td> <td>Absent</td> </tr> <tr> <td>Excused</td> <td>Excused</td> </tr> </table>	PASS	Effective Date	Yeas	Yeas	Nays	Nays	Absent	Absent	Excused	Excused		
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PASS	Effective Date												
Yeas	Yeas												
Nays	Nays												
Absent	Absent												
Excused	Excused												
	Reported correctly engrossed Signed by Speaker Sent to Senate												
CHIEF CLERK OF THE HOUSE													

HISTORY IN THE SENATE

19	Read first time and referred to Committee on												
	Reported back with recommendation that												
	Read second time and												
	Read third time and												
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Reconsideration													
PASS	Effective Date												
Yeas	Yeas												
Nays	Nays												
Absent	Absent												
Excused	Excused												
	Reported correctly engrossed Signed by President Returned to House												
SECRETARY OF THE SENATE													

HISTORY IN THE HOUSE

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

Introduced: 3/24/75
Referred: Health, Education &
Social Services and Finance

BY BEIRNE, DUNCAN, OSTROSKY
AND SULLIVAN

1 IN THE HOUSE

2 HOUSE BILL NO. 327

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 NINTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act making a special appropriation to the Department
7 of Health and Social Services; and providing for an
8 effective date."

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

10 * Section 1. The sum of \$75,000 is appropriated from the general fund to
11 the Department of Health and Social Services for supplemental diagnostic and
12 prescriptive services provided through the Alaska Department of Health Child
13 Studies Centers.

14 * Sec. 2. This Act takes effect July 1, 1975.

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Introduced: 3/24/75
Referred: Health, Education &
Social Services and Finance

1 IN THE HOUSE

BY BEIRNE, DUNCAN, OSTROSKY
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The Legislature of the State of Alaska
FISCAL NOTE

First Session - Ninth Legislature

I. REQUEST

Bill No. HB 327

Title: Special Appropriations to Dept. of Health & Social Services

Requested by: Helen Beirne Date: 4/21/75

Return Date Requested: _____

Agency: Health & Social Services Program: Division of Public Health
Child Study Center

II. FISCAL DETAIL

Budget Request Unit(s) Affected: _____

A. EXPENDITURES: (Thousands of dollars)

OBJECT	FY 75	FY 76	FY 77	FY 78	FY 79	FY 80
100 PERSONAL SERVICES		62.5	77.9	81.8	85.9	90.2
200 TRAVEL		2.0	2.1	2.2	2.3	2.4
300 CONTRACTUAL		7.0	8.9	9.3	9.8	10.3
400 COMMODITIES		1.5	2.0	2.1	2.2	2.3
500 EQUIPMENT		2.0				
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC.						
TOTAL	-0-	75.0	90.9	95.4	100.2	105.2

B. FUNDING: (Thousands of dollars)

GENERAL FUND	-0-	75.0	90.9	95.4	100.2	105.2
FEDERAL FUNDS						
OTHER						

C. POSITIONS:

PERMANENT/TEMPORARY	/	3 /	3 /	3 /	3 /	3 /
MAN MONTHS (P./T.)	/	30 /	30 /	30 /	30 /	30 /

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

Personal Services: 1 Medical Director for overall program (Anchorage)
1 Coordinator (PHN or Med. Social Worker) (Juneau)
1/2 Clerk Typist (Juneau)

Costs projected for 10 months for first year.

IV. ATTACHMENTS

V. DATE: 4/22/75 PREPARED BY: [Signature]

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

OK FSM

THE LEGISLATURE OF THE STATE OF ALASKA

FISCAL NOTE

Second Session - Ninth Legislature

I. REQUEST

Bill No. HB 327

Title: Special Appropriation to Department of Health and Social Services

Requested by: Helen Beirne Date: 4/6/76

Return Date Requested:

Agency: Health & Social Services Program: Division of Public Health

II. FISCAL DETAIL

Budget Request Unit(s) Affected: Section of Family Health 06-31-1-05-00

A. EXPENDITURES: (Thousands of dollars)

OBJECT	FY 76	FY 77	FY 78	FY 79	FY 80	FY 81
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL		75.0	82.5	90.7	95.2	100.0
400 COMMODITIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC.						
TOTAL	-0-	75.0	82.5	90.7	95.2	100.0

B. FUNDING: (Thousands of dollars)

GENERAL FUND	-0-	75.0	82.5	90.7	95.2	100.0
FEDERAL FUNDS						
OTHER						

C. POSITIONS:

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

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

Contractual - To allow for the purchase of services and the cost of travel of professional persons with expertise in pediatrics, psychology, or other areas relating to problems of handicapped and/or exceptional children. These persons will serve as members of an interdisciplinary diagnostic and evaluating team.

Cost projected at 10% inflation for '78 and '79 and 5% thereafter.

Reviewed by Finance Management
S. J. Smith
 4/6/76

IV. ATTACHMENTS

V. DATE: 4-6-76

PREPARED BY: D. W. Jones

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

THE LEGISLATURE OF THE STATE OF ALASKA
FISCAL NOTE
Second Session - Ninth Legislature

I. REQUEST

Bill No. HB 327
 Title: Special Appropriation to Department of Health and Social Services
 Requested by: Helen Beirne Date: 4/6/76
 Return Date Requested:
 Agency: Health & Social Services Program: Division of Public Health

II. FISCAL DETAIL

Budget Request Unit(s) Affected: Section of Family Health 06-31-1-05-00

A. EXPENDITURES: (Thousands of dollars)

OBJECT	FY 76	FY 77	FY 78	FY 79	FY 80	FY 81
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL		75.0	82.5	90.7	95.2	100.0
400 COMMODITIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC.						
TOTAL	-0-	75.0	82.5	90.7	95.2	100.0

B. FUNDING: (Thousands of dollars)

GENERAL FUND	-0-	75.0	82.5	90.7	95.2	100.0
FEDERAL FUNDS						
OTHER						

C. POSITIONS:

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

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

Contractual - To allow for the purchase of services and the cost of travel of professional persons with expertise in pediatrics, psychology, or other areas relating to problems of handicapped and/or exceptional children. These persons will serve as members of an interdisciplinary diagnostic and evaluating team.

Cost projected at 10% inflation for '78 and '79 and 5% thereafter.

Reviewed for Financial Management
[Signature]
 4/6/76

IV. ATTACHMENTS

V. DATE: 4-6-76 PREPARED BY: D. M. [Signature]

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

The Legislature of the State of Alaska
FISCAL NOTE

First Session - Ninth Legislature

I. REQUEST

Bill No. HB 327

Title: Special Appropriations to Dept. of Health & Social Services

Requested by: Helen Beirne

Date: 4/21/75

Return Date Requested:

Agency: Health & Social Services

Program: Division of Public Health
Child Study Center

II. FISCAL DETAIL

Budget Request Unit(s) Affected:

A. EXPENDITURES: (Thousands of dollars)

OBJECT	FY 75	FY 76	FY 77	FY 78	FY 79	FY 80
100 PERSONAL SERVICES		62.5	77.9	81.8	85.9	90.2
200 TRAVEL		2.0	2.1	2.2	2.3	2.4
300 CONTRACTUAL		7.0	8.9	9.3	9.8	10.3
400 COMMODITIES		1.5	2.0	2.1	2.2	2.3
500 EQUIPMENT		2.0				
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC.						
TOTAL	-0-	75.0	90.9	95.4	100.2	105.2

B. FUNDING: (Thousands of dollars)

GENERAL FUND	-0-	75.0	90.9	95.4	100.2	105.2
FEDERAL FUNDS						
OTHER						

C. POSITIONS:

PERMANENT/TEMPORARY	/	3 /	3 /	3 /	3 /	3 /
MAN MONTHS (P./T.)	/	30 /	30 /	30 /	30 /	30 /

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

Personal Services: 1 Medical Director for overall program (Anchorage)
1 Coordinator (PHN or Med. Social Worker) (Juneau)
1/2 Clerk Typist (Juneau)

Costs projected for 10 months for first year.

IV. ATTACHMENTS

V. DATE: 4/22/75

PREPARED BY: James Heck

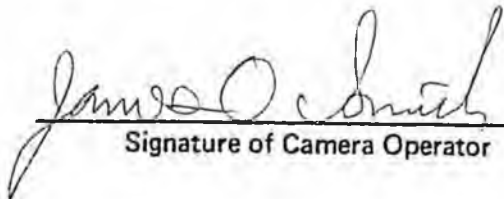
Original: Legislative Finance
cc: Budget and Management
Prime Sponsor (First Legislator Named)

ok fsm

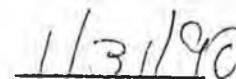


RECORDS CERTIFICATION

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.



Signature of Camera Operator



Date

"An Act repealing the refund provisions of the motor fuel oil tax; and providing for an effective date."

COMMITTEE REPORT

4/21/75

HOUSE

Mr. Speaker:

Date _____

The Committee on FINANCE has had HB 328

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

"An Act repealing the refund provisions of the motor fuel oil tax; and providing for an effective date."

COMMITTEE REPORT

3/24/75

HOUSE

FINANCE

Mr. Speaker:

Date 3 April 75

The Committee on State Affairs has had HB 328

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 ~~(*)~~

(BX) recommends it BE REPLACED WITH CS FOR HB 328 AND THAT
CS FOR HB 328 DO PASS

() "and" recommends it BE REFERRED TO THE _____
COMMITTEE

() reports it back WITHOUT RECOMMENDATION

() "other"

Members signing the Majority report:

W. Miller Bin Paul _____
Alvin B... _____
Joe McKinnon _____
Jim O'Hille _____

Members NOT concurring in the Majority report:

Spe... recommends: None

_____ recommends:

_____ recommends:

_____ recommends:

_____ recommends:

Bin Paul Chairman

See Act relating to the refund provisions of the motor fuel oil tax; D.C.

MEMORANDUM

State of Alaska

TO: Bill Parker
Chairman
House State Affairs Committee

DATE: April 10, 1975

FILE NO:

TELEPHONE NO:

FROM: Gary L. Jenkins
Director
Audit Division
Department of Revenue

SUBJECT: House Bill 328

The following is the information requested by the members of your Committee during the hearing on 4/8/75. During this fiscal year to date, we have issued motor fuel refunds of \$2,763,148. Of this total, the refunds for non-highway use of motor fuel amounts to \$2,436,369. Of this latter total, 54 percent or \$1,481,000 has been refunded to construction contractors; 26 percent or \$707,400 has been issued to companies involved in oil exploration and 9 percent or \$247,900 has been refunded to companies involved in the logging industries. As the work on the pipeline continues to increase during this year and next year, the percentage and amount of refunds to construction companies should increase dramatically. For calendar years 1975 and 1976 we anticipate total potential non-highway use refunds of \$5,000,000.

Also, included in Section 43.40.030 is a refund provision for fuel purchased in Alaska and used in a foreign country. The prime user of this provision has been the White Pass and Yukon Railroad. The refunds issued for the past three years, based on foreign usage of fuel is as follows: FY 1972-73, \$50,700; FY 1973-74, \$28,000; and FY 1974-75, \$32,800.

Should your Committee desire any further information regarding this bill, please feel free to contact me.

GLJ/bjm

STATE OF ALASKA

DEPARTMENT OF REVENUE

OFFICE OF THE COMMISSIONER

JAY S. HAMMOND, Governor

POUCH S—JUNEAU 99801

April 2, 1975

HB 328

The Honorable William Parker
Chairman
House State Affairs Committee
Alaska State Legislature
State Capitol
Juneau, Alaska

Re: House Bill No. 328

Dear Mr. Parker:

House Bill No. 328, an Act repealing the refund provisions of the motor fuel oil tax, was introduced on March 24, 1975 and was referred to the House State Affairs and Finance Committees.

At your request for the consideration of the House State Affairs Committee, I am enclosing a copy of a fiscal note and memorandum from Gary L. Jenkins, Director, Audit Division, Department of Revenue concerning motor fuel oil tax refunds which would be eliminated by the provisions of House Bill No. 328.

Mr. Jenkins will appear at the meeting of the House State Affairs Committee on April 2, 1975 at 1:00 p.m. to answer questions on the material submitted concerning the subject legislation.

Very truly yours,



R. D. Stevenson
Special Assistant

RDS:eh

cc: Gary L. Jenkins
Director, Audit Division

The Honorable Hugh Malone
Chairman, House Finance Committee
Alaska State Legislature

Original sponsor: Finance Committee

Offered: 4/21/75
Referred: Finance

1 IN THE HOUSE

BY THE STATE AFFAIRS COMMITTEE

2 CS FOR HOUSE BILL NO. 328

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 NINTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act relating to the refund provisions of the motor
7 fuel oil tax; and providing for an effective date."

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

9 * Section 1. AS 43.40.030(a) is amended to read:

10 (a) Except as specified in sec. 10(j) of this chapter, a person
11 who uses motor fuel to operate an internal combustion engine is entitled
12 to a refund of six cents a gallon on the first 10,000 gallons of motor
13 fuel purchased each fiscal year if

14 (1) the tax on the motor fuel has been paid;

15 (2) the motor fuel is not aviation fuel or motor fuel used
16 in an engine to propel a boat or watercraft, including motor fuel which
17 may be used for heating and cooking aboard boats and watercraft; and

18 (3) the internal combustion engine is not used in or in con-
19 junction with a motor vehicle licensed to be operated on public ways.

20 * Sec. 2. AS 43.40.030 is amended by adding a new subsection to read:

21 (d) Except as provided in sec. 10(j) of this chapter, a person
22 who uses motor fuel to operate an internal combustion engine in the
23 development and production of renewable resources in the state is
24 entitled to a refund of six cents a gallon on the total amount of fuel
25 used if

26 (1) the tax on the motor fuel has been paid;

27 (2) the motor fuel is not aviation fuel or motor fuel used
28 in an engine to propel a boat or watercraft, including motor fuel which
29 may be used for heating and cooking aboard boats and watercraft; and

1 (3) the internal combustion engine is not used in or in
2 conjunction with a motor vehicle licensed to be operated on public ways.
3 * Sec. 3. This Act takes effect July 1, 1975.
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amw

Introduced: 3/24/75
Referred: State Affairs and
Finance

1 IN THE HOUSE

BY THE FINANCE COMMITTEE

2 HOUSE BILL NO. 328

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 NINTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act repealing the refund provisions of the motor
7 fuel oil tax; and providing for an effective date."

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

9 * Section 1. AS 43.40.030 - 43.40.080 are repealed.

10 * Sec. 2. This Act takes effect immediately in accordance with AS 01.10.-
11 070(c).

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ALASKA STATE LEGISLATURE

..NINETH Legislature ..FIRST Session

HOUSEBILL..... NO. ...328.

By ..THE FINANCE COMMITTEE....

"An Act repealing the refund provisions of the motor fuel oil tax, and providing for an effective date."

Repeal. prov. motor fuel oil tax

Introduced in the House ...3/24/, 19...75

HISTORY IN THE HOUSE

19 75

Mar 24

Read first time and referred to Committee on

State Affairs and Finance

Reported back with recommendation that

Read second time and

Read third time and

PASS Effective Date
Yeas Yeas
Nays Nays
Absent Absent
Excused Excused

Reconsideration

PASS Effective Date
Yeas Yeas
Nays Nays
Absent Absent
Excused Excused

Reported correctly engrossed
Signed by Speaker
Sent to Senate

CHIEF CLERK OF THE HOUSE

HISTORY IN THE SENATE

19

Read first time and referred to Committee on

Reported back with recommendation that

Read second time and

Read third time and

PASS Effective Date
Yeas Yeas
Nays Nays
Absent Absent
Excused Excused

Reconsideration

PASS Effective Date
Yeas Yeas
Nays Nays
Absent Absent
Excused Excused

Reported correctly engrossed
Signed by President
Returned to House

SECRETARY OF THE SENATE

HISTORY IN THE HOUSE

19

Received from Senate

Reported correctly enrolled

Sent to Governor

..... By Governor

Filed with Lt. Governor

Chapter No.

Introduced: 3/24/75
Referred: State Affairs and
Finance

1 IN THE HOUSE

BY THE FINANCE COMMITTEE

2 HOUSE BILL NO. 328

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 NINTH LEGISLATURE - FIRST SESSION

5 A BILL

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11 070(c).

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Original sponsor: Finance Committee

Offered: 4/21/75

Referred: Finance

1 IN THE HOUSE

BY THE STATE AFFAIRS COMMITTEE

2 CS FOR HOUSE BILL NO. 328

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 NINTH LEGISLATURE - FIRST SESSION

5 A BILL

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14 (1) the tax on the motor fuel has been paid;

15 (2) the motor fuel is not aviation fuel or motor fuel used
16 in an engine to propel a boat or watercraft, including motor fuel which
17 may be used for heating and cooking aboard boats and watercraft; and

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19 junction with a motor vehicle licensed to be operated on public ways.

20 *Sec. 2. AS 43.40.030 is amended by adding a new subsection to read:

21 (d) Except as provided in sec. 10(j) of this chapter, a person
22 who uses motor fuel to operate an internal combustion engine in the
23 development and production of renewable resources in the state is
24 entitled to a refund of six cents a gallon on the total amount of fuel
25 used if

26 (1) the tax on the motor fuel has been paid;

27 (2) the motor fuel is not aviation fuel or motor fuel used
28 in an engine to propel a boat or watercraft, including motor fuel which
29 may be used for heating and cooking aboard boats and watercraft; and

1 (3) the internal combustion engine is not used in or in
2 conjunction with a motor vehicle licensed to be operated on public ways.

3 * Sec. 3. This Act takes effect July 1, 1975.
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STATE OF ALASKA

DEPARTMENT OF REVENUE

OFFICE OF THE COMMISSIONER

JAY S. HAMMOND, Governor

POUCH S—JUNEAU 99801

April 2, 1975

HB 328

The Honorable William Parker
Chairman
House State Affairs Committee
Alaska State Legislature
State Capitol
Juneau, Alaska

Re: House Bill No. 328

Dear Mr. Parker:

House Bill No. 328, an Act repealing the refund provisions of the motor fuel oil tax, was introduced on March 24, 1975 and was referred to the House State Affairs and Finance Committees.

At your request for the consideration of the House State Affairs Committee, I am enclosing a copy of a fiscal note and memorandum from Gary L. Jenkins, Director, Audit Division, Department of Revenue concerning motor fuel oil tax refunds which would be eliminated by the provisions of House Bill No. 328.

Mr. Jenkins will appear at the meeting of the House State Affairs Committee on April 2, 1975 at 1:00 p.m. to answer questions on the material submitted concerning the subject legislation.

Very truly yours,



R. D. Stevenson
Special Assistant

RDS:eh

cc: Gary L. Jenkins
Director, Audit Division

The Honorable Hugh Malone
Chairman, House Finance Committee
Alaska State Legislature

all

MEMORANDUM

State of Alaska

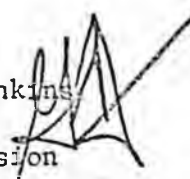
TO: Hugh Malone
Chairman
House Finance Committee

DATE: April 10, 1975


FILE NO:

TELEPHONE NO:

FROM: Gary L. Jenkins
Director
Audit Division
Department of Revenue



SUBJECT: House Bill 328



The following is the information requested by your Committee regarding House Bill 328. During this fiscal year to date, we have issued motor fuel refunds of \$2,763,148. Of this total, the refunds for non-highway use of motor fuel amounts to \$2,436,369. Of this latter total, 54 percent or \$1,481,000 has been refunded to construction contractors: 26 percent or \$707,400 has been issued to companies involved in oil exploration and 9 percent or \$247,900 has been refunded to companies involved in the logging industries. As the work on the pipeline continues to increase during this year and next year, the percentage and amount of refunds to construction companies should increase dramatically. For calendar years 1975 and 1976 we anticipate total potential non-highway use refunds of \$5,000,000.

Also, included in Section 43.40.030 is a refund provision for fuel purchased in Alaska and used in a foreign country. The prime user of this provision has been the White Pass and Yukon Railroad. The refunds issued for the past three years, based on foreign usage of fuel is as follows: FY 1972-73, \$50,700; FY 1973-74, \$28,000; and F. 1974-75, \$32,800.

Should your Committee desire any further information regarding this bill, please feel free to contact me.

GLJ/bjm

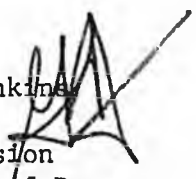
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MEMORANDUM

State of Alaska

TO: Hugh Malone
Chairman
House Finance Committee

FROM: Gary L. Jenkins
Director
Audit Division
Department of Revenue



DATE: April 10, 1975

FILE NO:

TELEPHONE NO:

SUBJECT: House Bill 328



The following is the information requested by your Committee regarding House Bill 328. During this fiscal year to date, we have issued motor fuel refunds of \$2,763,148. Of this total, the refunds for non-highway use of motor fuel amounts to \$2,436,369. Of this latter total, 54 percent or \$1,481,000 has been refunded to construction contractors; 26 percent or \$707,400 has been issued to companies involved in oil exploration and 9 percent or \$247,900 has been refunded to companies involved in the logging industries. As the work on the pipeline continues to increase during this year and next year, the percentage and amount of refunds to construction companies should increase dramatically. For calendar years 1975 and 1976 we anticipate total potential non-highway use refunds of \$5,000,000.

Also, included in Section 43.40.030 is a refund provision for fuel purchased in Alaska and used in a foreign country. The prime user of this provision has been the White Pass and Yukon Railroad. The refunds issued for the past three years, based on foreign usage of fuel is as follows: FY 1972-73, \$50,700; FY 1973-74, \$28,000; and FY 1974-75, \$32,800.

Should your Committee desire any further information regarding this bill, please feel free to contact me.

GLJ/bjm

The Legislature of the State of Alaska
FISCAL NOTE

First Session - Ninth Legislature

I. REQUEST

Bill No. HB 328

Title: Repeal Refund of Motor Fuel Oil Tax

Requested by: Jim Rhode Date: 3-27-75

Return Date Requested: _____

Agency: Budget and Management Program: _____

II. FISCAL DETAIL

Budget Request Unit(s) Affected: _____

A. EXPENDITURES: (Thousands of dollars)

OBJECT	FY 75	FY 76	FY 77	FY 78	FY 79	FY 80
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL						
400 COMMODITIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC.						
TOTAL						

B. RECEIPTS (Thousands of dollars)

GENERAL FUND		2091.6	2677.3	2998.6		
FEDERAL FUNDS						
OTHER						

C. POSITIONS:

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

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

See attached narrative analysis.

IV. ATTACHMENTS 2

V. DATE: _____

PREPARED BY: _____

Carl M. Gonder
Carl M. Gonder, Budget Analyst

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

Projected revenues received due to the abolishment of the six cent off-highway use refund were taken from Table VII in the attached paper dealing with transportation taxes. The assumptions and methodology used to estimate these receipts are explained in the paper. Total collections over the next three fiscal years due to abolishment of the refund would amount to \$7,767,500.

My interpretation of HB 328 suggests that legislative intent is for the continuation of the four cent nonpropulsive marine fuel exemption. If this were not the case, the State could realize additional revenues for the next three fiscal years of \$283,800, \$311,500, and \$358,200 respectively. This would total \$953,500 for these three years.

The majority of the increased revenues would be paid by general and specialty contractors who operate construction type equipment. It is possible that some contractors who have a fixed price long-term contract could suffer a smaller profit from their contract due to increased fuel expenses. There seems little reason to believe that this legislation would pose any discriminatory advantage or disadvantage on Alaskan vs. outside owned contracting firms.

It is also possible that a few Alaskan companies that are engaged in industries that compete with outside companies for the same market could suffer declines in the competitive posture and thus, sales due to increased fuel expenses. A possible example of this situation might be the logging industry.

A macro view of the effects of this legislation is that contractors and industries currently enjoying the six cent refund would pass the increased fuel expenses along to their customers through increased prices.

MEMORANDUM

State of Alaska

TO: Frederick P. Zoetsch
Deputy Commissioner, Taxation
Department of Revenue

DATE: April 2, 1975

FILE NO:

TELEPHONE NO:

FROM: *F. D. Jenkins*
Gary L. Jenkins
Director
Audit Division

SUBJECT: House Bill 328

Alaska Statute Section 43.40.030 provides that, with the exception of fuel sold for using snow machines the person is entitled for a refund of six cents a gallon if the following conditions are met:

1. the tax has been paid;
2. the fuel is not aviation fuel or motor fuel used in an engine to propel a boat or watercraft, including motor fuel which may be used for heating and cooking aboard boats and watercraft;
3. the internal combustion engine is not used in or in conjunction with a motor vehicle licensed to be operated on the public highway system.

This section goes on, also, to provide that the tax may be refunded for motor fuel which is used in a foreign country on which the duty is paid when the fuel is sold in Alaska for non-highway use in a foreign country.

House Bill 328 will eliminate all provisions in the motor fuel tax statute relating to filing any kind of a claim for refund. If the intent is to remove the refund for a non-highway use, it would appear pertinent that the specific provisions providing for this be removed and not the whole refunding process sections. An example of problems that this could create would be in the instance where a taxpayer had purchased fuel at eight cents a gallon and actually used the fuel in a marine application in which the tax is only four cents a gallon. If, in fact, the sections relating to refund were entirely deleted, there would be no statutory language providing for refunding to a person who had been originally improperly taxed. A further complication would arise with fuel sold in Alaska, which is to be used primarily out of Alaska by a foreign user. A prime example of this would be the fuel sold to the White Pass and Yukon Railroad in Alaska. It would appear to me that perhaps the drafters of this Bill had not anticipated this type of a problem, as I would think they would not want to delete this type of a potential refund.

The refunds issued for the last two years are as follows:

Fiscal Year 1973	\$1,242,225
Fiscal Year 1974	\$1,493,967

For Fiscal Year 1973-1974 the non-highway refunds were \$1,016,362 and \$1,144,445, respectively.

Frederick P. Boetsch
April 2, 1975
Page Two

For Fiscal Year 1975, to date, we have issued refunds in the amount of \$2,414,119, of which \$1,826,174 were for non-highways. On a straight line progression that would mean we should have total potential refunds for Fiscal Year 1975 of a minimum of \$3,621,179 of which \$2,739,261 were for non-highways.

Obviously, the majority of the refunds in the increase which we see relate to the pipeline operations. It would be extremely difficult to project the total amount of refunds which may be issued in the next two years, but taking into consideration the enormous size of the project, it would appear to be well within the possibility that the refunds might approach \$6,000,000 or more a year, of which approximately \$5,000,000 were for non-highways.

GLJ/bjm

cc: R. D. Stevenson

The Legislature of the State of Alaska
FISCAL NOTE

First Session - Ninth Legislature

I. REQUEST

Bill No. HB 328

Title: Repeal Refund of Motor Fuel Oil Tax

Requested by: Jim Rhode

Date: 3-27-75

Return Date Requested:

Agency: Budget and Management

Program:

II. FISCAL DETAIL

Budget Request Unit(s) Affected:

A. EXPENDITURES: (Thousands of dollars)

OBJECT	FY 75	FY 76	FY 77	FY 78	FY 79	FY 80
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL						
400 COMMODITIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC.						
TOTAL						

B. RECEIPTS (Thousands of dollars)

GENERAL FUND		2091.6	2677.3	2998.6		
FEDERAL FUNDS						
OTHER						

C. POSITIONS:

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

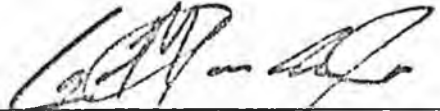
III. ANALYSTS (See Fiscal Note Preparation Instructions, Section III)

See attached narrative analysis.

IV. ATTACHMENTS 2

V. DATE:

PREPARED BY:


Carl M. Gonder, Budget Analyst

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

Projected revenues received due to the abolishment of the six cent off-highway use refund were taken from Table VII in the attached paper dealing with transportation taxes. The assumptions and methodology used to estimate these receipts are explained in the paper. Total collections over the next three fiscal years due to abolishment of the refund would amount to \$7,767,500.

My interpretation of HB 328 suggests that legislative intent is for the continuation of the four cent nonpropulsive marine fuel exemption. If this were not the case, the State could realize additional revenues for the next three fiscal years of \$283,800, \$311,500, and \$358,200 respectively. This would total \$953,500 for these three years.

The majority of the increased revenues would be paid by general and specialty contractors who operate construction type equipment. It is possible that some contractors who have a fixed price long-term contract could suffer a smaller profit from their contract due to increased fuel expenses. There seems little reason to believe that this legislation would pose any discriminatory advantage or disadvantage on Alaskan vs. outside owned contracting firms.

It is also possible that a few Alaskan companies that are engaged in industries that compete with outside companies for the same market could suffer declines in the competitive posture and thus, sales due to increased fuel expenses. A possible example of this situation might be the logging industry.

A macro view of the effects of this legislation is that contractors and industries currently enjoying the six cent refund would pass the increased fuel expenses along to their customers through increased prices.

MEMORANDUM

State of Alaska

TO: Frederick P. Boatsch
Deputy Commissioner, Taxation
Department of Revenue

DATE: April 2, 1975

FILE NO:

TELEPHONE NO:

FROM: *F. D. Jenkins*
Gary L. Jenkins
Director
Audit Division

SUBJECT: House Bill 328

Alaska Statute Section 43.40.030 provides that, with the exception of fuel sold for using snow machines the person is entitled for a refund of six cents a gallon if the following conditions are met:

1. the tax has been paid;
2. the fuel is not aviation fuel or motor fuel used in an engine to propel a boat or watercraft, including motor fuel which may be used for heating and cooking aboard boats and watercraft;
3. the internal combustion engine is not used in or in conjunction with a motor vehicle licensed to be operated on the public highway system.

This section goes on, also, to provide that the tax may be refunded for motor fuel which is used in a foreign country on which the duty is paid when the fuel is sold in Alaska for non-highway use in a foreign country.

House Bill 328 will eliminate all provisions in the motor fuel tax statute relating to filing any kind of a claim for refund. If the intent is to remove the refund for a non-highway use, it would appear pertinent that the specific provisions providing for this be removed and not the whole refunding process sections. An example of problems that this could create would be in the instance where a taxpayer had purchased fuel at eight cents a gallon and actually used the fuel in a marine application in which the tax is only four cents a gallon. If, in fact, the sections relating to refund were entirely deleted, there would be no statutory language providing for refunding to a person who had been originally improperly taxed. A further complication would arise with fuel sold in Alaska, which is to be used primarily out of Alaska by a foreign user. A prime example of this would be the fuel sold to the White Pass and Yukon Railroad in Alaska. It would appear to me that perhaps the drafters of this Bill had not anticipated this type of a problem, as I would think they would not want to delete this type of a potential refund.

The refunds issued for the last two years are as follows:

Fiscal Year 1973	\$1,342,225
Fiscal Year 1974	\$1,493,967

For Fiscal Year 1973-1974 the non-highway refunds were \$1,016,862 and \$1,144,445, respectively.

Frederick P. Boetsch
April 2, 1975
Page Two

For Fiscal Year 1975, to date, we have issued refunds in the amount of \$2,414,119, of which \$1,826,174 were for non-highways. On a straight line progression that would mean we should have total potential refunds for Fiscal Year 1975 of a minimum of \$3,621,179 of which \$2,739,261 were for non-highways.

Obviously, the majority of the refunds in the increase which we see relate to the pipeline operations. It would be extremely difficult to project the total amount of refunds which may be issued in the next two years, but taking into consideration the enormous size of the project, it would appear to be well within the possibility that the refunds might approach \$6,000,000 or more a year, of which approximately \$5,000,000 were for non-highways.

GLJ/bjm

cc: R. D. Stevenson

Introduced: 3/24/75
Referred: State Affairs and
Finance

1 IN THE HOUSE

BY THE FINANCE COMMITTEE

2 HOUSE BILL NO. 328

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 NINTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act repealing the refund provisions of the motor
7 fuel oil tax; and providing for an effective date."

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

9 * Section 1. AS 43.40.030 - 43.40.080 are repealed.

10 * Sec. 2. This Act takes effect immediately in accordance with AS 01.10.-
11 070(c).

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Original sponsor: Finance Committee

Offered: 4/21/75
Referred: Finance

1 IN THE HOUSE

BY THE STATE AFFAIRS COMMITTEE

2 CS FOR HOUSE BILL NO. 328

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 NINTH LEGISLATURE - FIRST SESSION

5 A BILL

6 FOR an Act entitled: "An Act relating to the refund provisions of the motor
fuel oil tax; and providing for an effective date."

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

9 * Section 1. AS 43.40.030(a) is amended to read:

10 (a) Except as specified in sec. 10(j) of this chapter, a person
11 who uses motor fuel to operate an internal combustion engine is entitled
12 to a refund of six cents a gallon on the first 10,000 gallons of motor
13 fuel purchased each fiscal year if

14 (1) the tax on the motor fuel has been paid;

15 (2) the motor fuel is not aviation fuel or motor fuel used
16 in an engine to propel a boat or watercraft, including motor fuel which
17 may be used for heating and cooking aboard boats and watercraft; and

18 (3) the internal combustion engine is not used in or in con-
19 junction with a motor vehicle licensed to be operated on public ways.

20 * Sec. 2. AS 43.40.030 is amended by adding a new subsection to read:

21 (d) Except as provided in sec. 10(j) of this chapter, a person
22 who uses motor fuel to operate an internal combustion engine in the
23 development and production of renewable resources in the state is
24 entitled to a refund of six cents a gallon on the total amount of fuel
25 used if

26 (1) the tax on the motor fuel has been paid;

27 (2) the motor fuel is not aviation fuel or motor fuel used
28 in an engine to propel a boat or watercraft, including motor fuel which
29 may be used for heating and cooking aboard boats and watercraft; and

1 (3) the internal combustion engine is not used in or in
2 conjunction with a motor vehicle licensed to be operated on public ways.

3 * Sec. 3. This Act takes effect July 1, 1975.
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STATE OF ALASKA

DEPARTMENT OF REVENUE

OFFICE OF THE COMMISSIONER

JAY S. HAMMOND, Governor

POUCH S—JUNEAU 99801

April 2, 1975

HB 328

The Honorable William Parker
Chairman
House State Affairs Committee
Alaska State Legislature
State Capitol
Juneau, Alaska

Re: House Bill No. 328

Dear Mr. Parker:

House Bill No. 328, an Act repealing the refund provisions of the motor fuel oil tax, was introduced on March 24, 1975 and was referred to the House State Affairs and Finance Committees.

At your request for the consideration of the House State Affairs Committee, I am enclosing a copy of a fiscal note and memorandum from Gary L. Jenkins, Director, Audit Division, Department of Revenue concerning motor fuel oil tax refunds which would be eliminated by the provisions of House Bill No. 328.

Mr. Jenkins will appear at the meeting of the House State Affairs Committee on April 2, 1975 at 1:00 p.m. to answer questions on the material submitted concerning the subject legislation.

Very truly yours,



R. D. Stevenson
Special Assistant

RDS:eh

cc: Gary L. Jenkins
Director, Audit Division

The Honorable Hugh Malone
Chairman, House Finance Committee
Alaska State Legislature

MEMORANDUM

all
State of Alaska

TO: Hugh Malone
Chairman
House Finance Committee

FROM: Gary L. Jenkins
Director
Audit Division
Department of Revenue

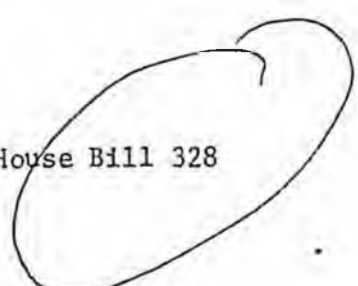


DATE: April 10, 1975

FILE NO:

TELEPHONE NO:

SUBJECT: House Bill 328



The following is the information requested by your Committee regarding House Bill 328. During this fiscal year to date, we have issued motor fuel refunds of \$2,763,148. Of this total, the refunds for non-highway use of motor fuel amounts to \$2,436,369. Of this latter total, 54 percent or \$1,481,000 has been refunded to construction contractors; 26 percent or \$707,400 has been issued to companies involved in oil exploration and 9 percent or \$247,900 has been refunded to companies involved in the logging industries. As the work on the pipeline continues to increase during this year and next year, the percentage and amount of refunds to construction companies should increase dramatically. For calendar years 1975 and 1976 we anticipate total potential non-highway use refunds of \$5,000,000.

Also, included in Section 43.40.030 is a refund provision for fuel purchased in Alaska and used in a foreign country. The prime user of this provision has been the White Pass and Yukon Railroad. The refunds issued for the past three years, based on foreign usage of fuel is as follows: FY 1972-73, \$50,700; FY 1973-74, \$28,000; and FY 1974-75, \$32,800.

Should your Committee desire any further information regarding this bill, please feel free to contact me.

GLJ/bjm