

LEG. FINANCE - BILLS 1975 - 1976 456

HB 674 thru HB 682 456



# RECORDS CERTIFICATION

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James O. Smith  
Signature of Camera Operator

2/6/90  
Date

COMMITTEE REPORT

2/12/76

HOUSE

Mr. Speaker:

Date 3-11-76

The Committee on FINANCE has had HB 674

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 HB 674 AND THAT

CS FOR HB 674 DO PASS

( ) "and" recommends it BE REFERRED TO THE \_\_\_\_\_  
COMMITTEE

( ) reports it back WITHOUT RECOMMENDATION

( ) "other"

Members signing the Majority report:

[Signature] \_\_\_\_\_  
[Signature] \_\_\_\_\_  
[Signature] \_\_\_\_\_  
[Signature] \_\_\_\_\_

Members NOT concurring in the Majority report:

[Signature] recommends:  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_ recommends:

[Signature] Chairman

Introduced: 1/30/76  
Referred: Community &  
Regional Affairs and Finance

1 IN THE HOUSE

BY THE RULES COMMITTEE BY  
REQUEST OF THE GOVERNOR

2 HOUSE BILL NO. 674

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 NINTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to the Alaska Municipal Bond Bank  
7 Authority; and providing for an effective date."

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

9 \* Section 1. AS 44.58.060 is amended to read:

10 Sec. 44.58.060. COMPENSATION AND EXPENSES. The directors of the  
11 bond bank authority shall serve without compensation, but the bond  
12 bank authority shall reimburse its directors for actual expenses  
13 necessarily incurred in the discharge of their duties. Notwithstanding  
14 any other law, an officer or employee of the state need not [SHALL] for-  
15 feit his office or employment or [AND] any benefits by reason of his  
16 acceptance of appointment to the office of director of the bond bank  
17 authority.

18 \* Sec. 2. AS 44.58.170(b) is amended to read:

19 (b) To the extent that any department or agency of the state  
20 [THE COMMISSIONER OF REVENUE] is the custodian of money payable to a  
21 municipality, at any time after written notice to the department or  
22 agency head [HIM] from the bond bank authority that the municipality  
23 is in default on the payment of principal or interest on municipal  
24 bonds of the municipality then held or owned by the bond bank authority,  
25 the department or agency [COMMISSIONER OF REVENUE] shall withhold the  
26 payment of that money from that municipality and pay over the money to  
27 the bond bank authority for the purpose of paying principal of and  
28 interest on bonds of the bond bank authority [UNTIL THE AMOUNT OF THE  
29 PRINCIPAL OR INTEREST THEN DUE AND UNPAID HAS BEEN PAID TO THE BOND

1 BANK AUTHORITY, OR UNTIL THE COMMISSIONER OF REVENUE HAS BEEN ADVISED  
2 THAT ARRANGEMENTS, SATISFACTORY TO THE BOND BANK AUTHORITY, HAVE BEEN  
3 MADE FOR THE PAYMENT OF THE PRINCIPAL AND INTEREST].

4 \* Sec. 3. AS 44.58.270(h) is amended to read:

5 (h) All amounts received on account of money appropriated to the  
6 reserve fund referred to in (a)(3) of this section shall be held and  
7 applied in accordance with (b) of this section; however, at the end of  
8 each fiscal year, if the amount in the reserve fund is in excess of the  
9 required debt service reserve, any amount representing earnings or in-  
10 come received on account of money appropriated to the reserve fund  
11 which exceeds the operating expenses of the authority for that fiscal  
12 year shall be transferred to the general fund of the state.

13 \* Sec. 4. This Act takes effect immediately in accordance with AS 01.-  
14 10.070(c).

Original sponsor: Rules Committee by  
request of the Governor

1 IN THE HOUSE

BY THE FINANCE COMMITTEE

2 CS FOR HOUSE BILL NO. 674

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 NINTH LEGISLATURE - SECOND SESSION

5 A BILL

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7 Authority; and providing for an effective date."

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9 \* Section 1. AS 44.58.060 is amended to read:

10 Sec. 44.58.060. COMPENSATION AND EXPENSES. The directors of the  
11 bond bank authority shall serve without compensation, but the bond bank  
12 authority shall reimburse its directors for actual expenses necessarily  
13 incurred in the discharge of their duties. Notwithstanding any other  
14 law, an officer or employee of the state need not [SHALL] forfeit his  
15 office or employment or [AND] any benefits by reason of his acceptance  
16 of appointment to the office of director of the bond bank authority.

17 \* Sec. 2. AS 44.58.170 is amended to read:

18 Sec. 44.58.170. LOANS TO POLITICAL SUBDIVISIONS. (a) The bond  
19 bank authority, to carry out the purposes and policies of this chapter,  
20 may lend money to municipalities through the purchase by the bond bank  
21 authority of municipal bonds of municipalities. Notwithstanding a home  
22 rule charter provision requiring public sale by a municipality of its  
23 municipal bonds, a municipality may sell its municipal bonds to the bond  
24 bank authority at a negotiated, private sale. The bond bank authority,  
25 for this purpose, may issue its bonds and notes payable solely from the  
26 revenues or funds available to the bond bank authority for such payment  
27 and may otherwise assist municipalities as provided in this chapter.

28 (b) Notwithstanding any provision of law, to [TO] the extent that  
29 any department or agency of the state [THE COMMISSIONER OF REVENUE] is

1 the custodian of money payable to a municipality, at any time after  
2 written notice to the department or agency head [HIM] from the bond bank  
3 authority that the municipality is in default on the payment of princ-  
4 pal or interest on municipal bonds of the municipality then held or  
5 owned by the bond bank authority, the department or agency [COMMISSIONER  
6 OF REVENUE] shall withhold the payment of that money from that municipali-  
7 ty and pay over the money to the bond bank authority for the purpose of  
8 paying principal of and interest on bonds of the bond bank authority  
9 [UNTIL THE AMOUNT OF THE PRINCIPAL OR INTEREST THEN DUE AND UNPAID HAS  
10 BEEN PAID TO THE BOND BANK AUTHORITY, OR UNTIL THE COMMISSIONER OF  
11 REVENUE HAS BEEN ADVISED THAT ARRANGEMENTS, SATISFACTORY TO THE BOND  
12 BANK AUTHORITY, HAVE BEEN MADE FOR THE PAYMENT OF THE PRINCIPAL AND  
13 INTEREST].

14 \* Sec. 3. AS 44.50.270(h) is amended to read:

15 (h) All amounts received on account of money appropriated to the  
16 reserve fund referred to in (a)(3) of this section shall be held and  
17 applied in accordance with (b) of this section; however, at the end of  
18 each fiscal year, if the amount in the reserve fund is in excess of the  
19 required debt service reserve, any amount representing earnings or  
20 income received on account of money appropriated to the reserve fund  
21 which exceeds the operating expenses of the authority for that fiscal  
22 year shall be transferred to the general fund of the state.

23 \* Sec. 4. This Act takes effect immediately in accordance with AS 01.10.-  
24 070(c).

# STATE OF ALASKA

## THE LEGISLATURE

BUDGET AND AUDIT COMMITTEE

AUDIT DIVISION  
POUCH W — ALASKA OFFICE BUILDING

FINANCE DIVISION  
POUCH WF — STATE CAPITOL

JUNEAU 99801

April 8, 1976

### MEMORANDUM

TO: The Honorable Kay Poland  
Senate Finance Committee

FROM: Milton B. Barker *MB*  
Fiscal Analyst  
Legislative Finance Division

SUBJECT: SCS CSHB 674

In response to your request, I have reviewed SCS CSHB 674. The Governor's letter explains the provisions contained in the original bill. The additional language in lines 23-25 on page 1 of the bill was added in CSHB 674 by the House Finance Committee at the suggestion of the City and Borough of Juneau.

Only Sec. 4 of the bill raises any questions. The instrumentalities established under this new Chapter 59 would be able to issue debt for the provision of municipal facilities and services as enumerated in AS 29.48.030 (attached) without securing voter approval as is required by AS 29.58.160 for all municipal general obligation bonds.

MBB:pw

Original sponsor: Rules Committee by Offered: 4/7/76  
request of the Governor Referred: Finance

IN THE HOUSE BY THE COMMUNITY AND  
REGIONAL AFFAIRS COMMITTEE  
BUDGET AND AUDIT COMMITTEE

SENATE CS FOR CS FOR HOUSE BILL NO. 674

IN THE LEGISLATURE OF THE STATE OF ALASKA

NINTH LEGISLATURE - SECOND SESSION

A BILL

For an Act entitled: "An Act relating to the Alaska Municipal Bond Bank  
Authority; its obligations issued on behalf of municipi-  
palities; and providing for an effective date."

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

\* Section 1. AS 44.58.060 is amended to read:

Sec. 44.58.060. COMPENSATION AND EXPENSES. The directors of the  
bond bank authority shall serve without compensation, but the bond bank  
authority shall reimburse its directors for actual expenses necessarily  
incurred in the discharge of their duties. Notwithstanding any other  
law, an officer or employee of the state need not [SHALL] forfeit his  
office or employment or [AND] any benefits by reason of his acceptance  
of appointment to the office of director of the bond bank authority.

\* Sec. 2. AS 44.58.170 is amended to read:

Sec. 44.58.170. LOANS TO POLITICAL SUBDIVISIONS. (a) The bond  
bank authority, to carry out the purposes and policies of this chapter,  
may lend money to municipalities through the purchase by the bond bank  
authority of municipal bonds of municipalities. Notwithstanding a home  
rule charter provision requiring public sale by a municipality of its  
municipal bonds, a municipality may sell its municipal bonds to the bond  
bank authority at a negotiated, private sale. The bond bank authority,  
for this purpose, may issue its bonds and notes payable solely from the  
revenues or funds available to the bond bank authority for such payment  
and may otherwise assist municipalities as provided in this chapter.

(b) Notwithstanding any provision of law, to [TO] the extent that

1 any department or agency of the state [THE COMMISSIONER OF REVENUE] is  
2 the custodian of money payable to a municipality, at any time after  
3 written notice to the department or agency head [HIM] from the bond bank  
4 authority that the municipality is in default on the payment of princi-  
5 pal or interest on municipal bonds of the municipality then held or  
6 owned by the bond bank authority, the department or agency [COMMISSIONER  
7 OF REVENUE] shall withhold the payment of that money from that munici-  
8 pality and pay over the money to the bond bank authority for the purpose  
9 of paying principal of and interest on bonds of the bond bank authority  
10 [UNTIL THE AMOUNT OF THE PRINCIPAL OR INTEREST THEN DUE AND UNPAID HAS  
11 BEEN PAID TO THE BOND BANK AUTHORITY, OR UNTIL THE COMMISSIONER OF  
12 REVENUE HAS BEEN ADVISED THAT ARRANGEMENTS, SATISFACTORY TO THE BOND  
13 BANK AUTHORITY, HAVE BEEN MADE FOR THE PAYMENT OF THE PRINCIPAL AND  
14 INTEREST].

15 \* Sec. 3. AS 44.58.270(h) is amended to read:

16 (h) All amounts received on account of money appropriated to the  
17 reserve fund referred to in (a)(3) of this section shall be held and  
18 applied in accordance with (b) of this section; however, at the end of  
19 each fiscal year, if the amount in the reserve fund is in excess of the  
20 required debt service reserve, any amount representing earnings or  
21 income received on account of money appropriated to the reserve fund  
22 which exceeds the operating expenses of the authority for that fiscal  
23 year shall be transferred to the general fund of the state.

24 \* Sec. 4. AS 29 is amended by adding a new chapter to read:

25 CHAPTER 59. OBLIGATIONS ISSUED ON BEHALF OF MUNICIPALITIES.

26 Sec. 29.59.010. AUTHORITY TO ISSUE OBLIGATIONS FOR SPECIFIED  
27 PURPOSES. (a) A home rule or general law municipality may establish  
28 a public corporation or other municipal instrumentality. This public  
29 corporation or other municipal instrumentality may issue obligations

1 to provide the public facilities and services enumerated in AS 29.48.-  
2 030(a).

3 (b) The public corporation or other municipal instrumentality  
4 created under authority of (a) of this section shall be created and  
5 operated solely to provide one or more of the public facilities or  
6 services enumerated in AS 29.48.030(a).

7 \* Sec. 5. AS 29.13.100 is amended by adding a new paragraph to read:

8 (37) AS 29.59.010 (obligations issued on behalf of municipi-  
9 palities)

10 \* Sec. 6. This Act takes effect immediately in accordance with AS 01.10.-  
11 070(c).

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#

HB 674

HB 674

January 30, 1976

The Honorable Mike Bradnor  
Speaker of the House  
Alaska State Legislature  
Juneau, Alaska 99811

Dear Mr. Speaker:

In accordance with AS 24.30.060(b) and the Uniform Rules of the Alaska State Legislature, I am transmitting a bill to make amendments to AS 44.58 relating to the Municipal Bond Bank Authority.

Section 1 of the bill corrects a clerical error which persisted through all versions of the bill and which was eventually enacted as Chapter 79 SLA 75. AS 44.58.060 presents a direct conflict with AS 44.58.030 which specifically provides that the commissioner of revenue and the commissioner of community and regional affairs serve as ex officio directors of the authority. Surely the intent of the law was not to have the commissioner of revenue and the commissioner of community and regional affairs serve as directors and then forfeit their offices.

Section 2 provides that where municipal bonds owned by the authority are in default that any money in the hands of a state department or agency which are payable to the municipality would be instead paid directly to the authority to pay interest and principal on authority bonds. Since default on municipal bonds will jeopardize authority bonds, the provision for direct payment of money owed by the municipality to the authority is considered an equitable and efficient means of preventing a default on authority bonds. The financial advisor and the prospective underwriter of the Bond Bank Authority bonds advises that the bond rating services view such a provision as necessary in the Bond Bank Authority legislation to secure a bond rating of better than "medium grade."

Section 3 of the bill provides that the earnings on the reserve fund appropriation by the state which exceed the authority's operating expenses must be transferred at the end of each fiscal year to the general fund of the state. This amends the existing provision which

provides that all earnings on state appropriated funds must be automatically returned to the state at the end of each fiscal year. The provision contemplates that the authority would fund its operating expenses which are not directly associated with particular bond issues from earnings on the state appropriation. Amendment of the legislation in this regard would indicate to prospective bondholders that the state is committed to support the authority. It is contemplated that after attainment of a reasonable volume of bonds outstanding, the authority could operate without using earnings on the state appropriation.

Sincerely,

Jay S. Hammond  
Governor

*Rec'd 2/26/76*



**THE CITY AND BOROUGH OF JUNEAU**

CAPITAL OF ALASKA

155 SOUTH SEWARD ST. JUNEAU, ALASKA 99801

DATE: February 26, 1976

FILE NO. Legislature - 1976

SUBJECT: House Bill 674, Alaska Municipal Bond Bank Authority

The Honorable Hugh Malone, Chairman  
House Finance Committee  
Alaska State House of Representatives  
Pouch V  
State Capitol Building  
Juneau, Alaska 99811

Dear Representative Malone:

You presently have in your committee House Bill 674 which would make certain technical amendments to the Alaska Bond Bank Authority Bill passed during the first session of the present legislature. The Assembly of the City and Borough of Juneau has directed that I request a change be made to this bill for the reasons set forth below.

The charter of the City and Borough of Juneau requires that all general obligation bonds of the municipality be sold at a public sale. Because the sale of bonds to the Alaska Municipal Bond Bank Authority is not a public (competitive) sale the City and Borough is unable to sell its G.O. to the Authority. Of course, the Authority was not in existence when the charter restriction was written. Had the possibility of selling bonds to the state been brought to the attention of the Charter Commissioners, it is most likely that an exception to the restriction would have been included in the charter. The most expedient means of overcoming the overly broad scope of the charter restriction would be for the legislature to authorize all home rule municipalities to sell their bonds to the bond bank in spite of any charter restriction requiring a public sale. I have discussed the problem and this approach to its solution with Eric Wohlforth who serves as counsel to the Authority. He agrees that it would be appropriate and desirable to add language to the present bill which would override such home rule charter restrictions. Dave Rose, Executive Director of the Bond Bank Authority informs me that the problem and this approach to its solution were discussed by the Board of Directors of the Bond Bank Authority at a meeting held on February 24, 1976 and the board concurs in the addition to the bill of language to override such charter restrictions. To accomplish this end, I would suggest that the following sentence be inserted at the end of the last sentence of AS 44.58.170(a):

KL 2/26/76

The Honorable Hugh Malone -2-

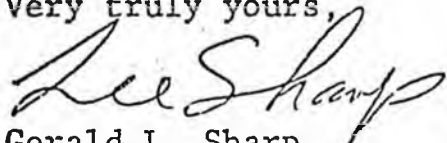
February 26, 1976

Notwithstanding a home rule charter provision requiring the public sale by a municipality of its municipal bonds, a municipality may sell its municipal bonds to the Bond Bank Authority at a negotiated, private sale.

Section 2 of House Bill 674 proposes an amendment to AS 44.58.170(b). This section of the bill could be changed to include the amendment to subparagraph (a) of the statute section:

If you have any questions relating the requested change, please do not hesitate to call me at 586-3300. Thank you for your time and consideration of this matter.

Very truly yours,



Gerald L. Sharp  
City/Borough Attorney.

cc: Vice Chairperson Bucholdt,  
Members Cowper, Duncan,  
Gruening, Guy, Itta,  
Naughton and Haugen  
Virginia Kline, Mayor, City  
and Borough of Juneau  
Eric Wolforth, Esquire  
Dave Rose

GLSmmmb

## Chapter 48. Powers Applicable to All Municipalities.

### Article 2. Facilities, Services and Regulation.

Section	Section
30. Municipal facilities and services	35. Regulatory powers
33. Garbage and solid waste services	37. Extraterritorial jurisdiction

Sec. 29.48.030. Municipal facilities and services. (a) A municipality may exercise the powers necessary to provide the following public facilities and services:

- (1) streets and sidewalks;
- (2) sewers and sewage treatment facilities;
- (3) harbors, wharves, and other marine facilities;
- (4) watercourse and flood control facilities;
- (5) health services and hospital facilities;
- (6) cemeteries;
- (7) police protection and jail facilities;
- (8) cold storage plants;
- (9) telephone systems;
- (10) light, power and heat;
- (11) water;
- (12) transportation systems;
- (13) community centers;
- (14) libraries;
- (15) recreation facilities;
- (16) airport and aviation facilities;
- (17) garbage and solid-waste collection and disposal service and facilities subject to § 33 of this chapter;
- (18) fire protection service and facilities, not in conflict with AS 18.70.075, but not limited to AS 18.70.075;
- (19) parking and parking facilities;
- (20) housing and urban renewal, rehabilitation and development;
- (21) preservation, maintenance and protection of historic sites, buildings and monuments;
- (22) consumer protection.

(am § 3 ch 215 SLA 1975)

Effect of amendment.— The 1975 amendment added "not in conflict with AS 18.70.075, but not limited to AS 18.70.075" to the end of paragraph (18) of subsection (a).

As the rest of the section was not

affected by the amendment, it is not set out.

Cited in *Girves v. Kenai Peninsula Borough*, Sup. Ct. Op. No. 1163 (File No. 2016), 536 P.2d 1221 (1975).

Sec. 29.48.033. Garbage and solid waste services.

(b) The council or governing body of any political subdivision may not prohibit a person holding a valid certificate from the Alaska Public Utilities Commission from continuing to collect and dispose

THE LEGISLATURE OF THE STATE OF ALASKA  
FISCAL NOTE

Second Session - Ninth Legislature

I. REQUEST

Bill No. House Bill 674  
 Title: Alaska Municipal Bond Bank Authority  
 Requested by: House Finance Committee Date: February 27, 1976  
 Return Date Requested: March 3, 1976  
 Agency: Revenue Program: Treasury

II. FISCAL DETAIL

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

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

B. FUNDING: (Thousands of dollars)

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

C. POSITIONS:

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

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

There are no measurable financial impacts in H.B. 674. There are, however, several important financial implications in this bill and these are described in the following section-by-section analysis:

(See attached)

IV. ATTACHMENTS

V. DATE: March 1, 1976 PREPARED BY: Lawrence C. Eppelbach

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

H.B. 674 - Alaska Municipal Bond Bank Authority

1. Sec. 44.58.060. The change in this section would allow the Commissioner of Revenue and Community and Regional Affairs to remain Directors of the Municipal Bond Bank Authority without having to forfeit their offices. This change corrects a typographical error in the original Bond Bank bill.

2. Sec. 44.58.180(b). The changes in this section affects the treatment of revenue withheld by state agencies when municipalities are in default on bonds held by the Municipal Bond Bank Authority. This section first expands the kind of revenue that may be withheld to include funds administered by any department or agency of the State. This would increase the scope of State fiscal intervention in the case of default.

Second, it provides for the payment of such funds withheld to meet debt service on bonds in default. The present statute requires the Department of Revenue to simply withhold revenue sharing funds and thus the municipality in default is doubly harmed by having their revenue sharing funds withheld from them without any provision that they be used to pay debt service.

3. Sec. 44.80.280(h). The change in this section provides for a clearly identifiable source of income for the Municipal Bond Bank Authority. This should reduce uncertainty in the minds of potential revenue bond purchasers about how the Authority can generate operating income. The change provides for the use of the investment income of the reserve account to fund the operating expenditures of the Authority with the excess returning to the general fund. The operating expenses of the Authority remain limited by budget authorizations. The net result is not a significant change with respect to the general fund but there should be an increase in the security value of the municipal bond bank debt in that its operating income is clearly established.



# RECORDS CERTIFICATION



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

James O. Smith  
Signature of Camera Operator

2/6/90  
Date

2/25/76

8:30 a.m.

delivered to  
Leg. Affairs for  
typing + return to  
Ernie Naugen

P.W

Original Sponsors: Rules Committee  
by Request of the Governor

1 IN THE HOUSE

BY THE FINANCE COMMITTEE

2 CS FOR HOUSE BILL NO. 675

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 NINTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to the tax on motor fuel for water-  
7 craft; and providing for an effective date."

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

9 \* Section 1. AS 43.40.010(a) is amended to read:

10 CHAPTER 40. MOTOR FUEL (OIL) TAX.

11 (a) There is levied a tax of eight cents a gallon on all motor  
12 fuel sold or otherwise transferred within the state, except that

13 (1) the tax on aviation gasoline is four cents a gallon,

14 (2) the tax on motor fuel used in (ENGINES FOR THE PROPUL-  
15 SION OF) boats and watercraft of all descriptions is four cents a  
16 gallon (; IF A PERSON CLAIMS AN EXEMPTION FOR NONPROPULSION USE UNDER  
17 THIS PARAGRAPH, HE SHALL SIGN A STATEMENT AT THE TIME OF THE SALE OR  
18 TRANSFER ATTESTING TO THE FACT THAT THE AMOUNT OF FUEL FOR WHICH HE  
19 CLAIMS THE EXEMPTION WILL BE USED ONLY FOR NONPROPULSION USE ABOARD A  
20 BOAT OR WATERCRAFT), and

21 (3) the tax on all aviation fuel other than gasoline is two  
22 and one-half cents a gallon.

23 \* Sec. 2. AS 43.40.010(b) is amended to read:

24 (b) There is levied a tax of eight cents a gallon on all motor  
25 fuel consumed by a user, except that

26 (1) the tax on aviation gasoline consumed is four cents a  
27 gallon,

28 (2) the tax on motor fuel used in (ENGINES FOR THE PROPUL-  
29 SION OF) boats and watercraft of all descriptions is four cents a

1 gallon (; IF A PERSON CLAIMS AN EXEMPTION FOR NONPROPULSION USE UNDER  
2 THIS PARAGRAPH, HE SHALL SIGN A STATEMENT AT THE TIME OF THE PURCHASE  
3 ATTESTING TO THE FACT THAT THE AMOUNT OF FUEL FOR WHICH HE CLAIMS THE  
4 EXEMPTION WILL BE USED ONLY FOR NONPROPULSION USE ABOARD A BOAT OR  
5 WATERCRAFT), and

6 (3) the tax on all aviation fuel other than gasoline is two  
7 and one-half cents a gallon.

8 \* Sec. 3. AS 43.40.020(b) is repealed.

9 \* Sec. 4. AS 43.40.100(2) is amended to read:

10 (2) "motor fuel" means fuel used in an engine for the  
11 propulsion of a motor vehicle or (,) aircraft, and fuel used in a boat  
12 or watercraft, or in a stationary engine, machine or mechanical  
13 contrivance which is run (PROPELLED) by an internal combustion motor;  
14 "motor fuel" does not include (EXCEPT ON CONSIGNMENTS OF MOTOR)

15 (A) fuel consigned (OIL) to foreign countries,

16 (B) (EXCEPT MOTOR) fuel (OIL) sold for use in jet  
17 propulsion aircraft operating in flights to foreign countries,

18 (C) (AND EXCEPT) fuel used in stationary power plants  
19 operating as public utility plants and generating electrical  
20 energy for sale to the general public, (OR)

21 (D) fuel used by nonprofit power associations or  
22 corporations for generating electric energy for resale, or

23 (E) fuel used by charitable institutions;

24 \*Sec. 5. This Act takes effect July 1, 1976.  
25  
26  
27  
28  
29

"An Act relating to the tax on motor fuel for watercraft; and providing for an effective date."

## COMMITTEE REPORT

1/30/76

HOUSE

Mr. Speaker:

Date \_\_\_\_\_

The Committee on FINANCE has had HB 675

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

Introduced: 1/30/76  
Referred: Finance

BY THE RULES COMMITTEE BY  
REQUEST OF THE GOVERNOR

1 IN THE HOUSE

2 HOUSE BILL NO. 675

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 NINTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to the tax on motor fuel for water-  
7 craft; and providing for an effective date."

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

9 \* Section 1. AS 43.40.010(a) is amended to read:

10 CHAPTER 40. MOTOR FUEL [OIL] TAX.

11 (a) There is levied a tax of eight cents a gallon on all motor  
12 fuel sold or otherwise transferred within the state, except that

13 (1) the tax on aviation gasoline is four cents a gallon,

14 (2) the tax on motor fuel used in [ENGINES FOR THE PROPUL-  
15 SION OF] boats and watercraft of all descriptions, excluding that  
16 motor fuel which is to be used for heating and cooking aboard boats  
17 and watercraft, is eight [FOUR] cents a gallon; if a person claims an  
18 exemption for cooking and heating [NONPROPULSION] use under this  
19 paragraph, he shall sign a statement at the time of the sale or  
20 transfer attesting to the fact that the amount of fuel for which he  
21 claims the exemption will be used only for cooking and heating [NON-  
22 PROPULSION USE] aboard a boat or watercraft, but the exemption applies  
23 to no more than 25 per cent of the sale or transfer of motor fuel, and

24 (3) the tax on all aviation fuel other than gasoline is two  
25 and one-half cents a gallon.

26 \* Sec. 2. AS 43.40.010(b) is amended to read:

27 (b) There is levied a tax of eight cents a gallon on all motor  
28 fuel consumed by a user, except that

29 (1) the tax on aviation gasoline consumed is four cents a

1 gallon,

2 (2) the tax on motor fuel used in [ENGINES FOR THE PROPUL-  
3 SION OF] boats and watercraft of all descriptions excluding that motor  
4 fuel used for heating and cooking aboard boats and watercraft, is  
5 eight [FOUR] cents a gallon; if a person claims an exemption for  
6 cooking and heating [NONPROPULSION] use under this paragraph, he shall  
7 sign a statement at the time of the sale or transfer [PURCHASE] attest-  
8 ing to the fact that the amount of fuel for which he claims the exemp-  
9 tion will be used only for cooking and heating [NONPROPULSION] use  
10 aboard a boat or watercraft, but the exemption applies to no more than  
11 25 per cent of the sale or transfer of motor fuel, and

12 (3) the tax on all aviation fuel other than gasoline is two  
13 and one-half cents a gallon.

14 \* Sec. 3. AS 43.40.020(b) is amended to read:

15 (b) A person who claims the heating and cooking [NONPROPULSION]  
16 use fuel tax exemption under sec. 10(a)(2) or sec. 10(b)(2) of this  
17 chapter and who uses a portion of the amount of the exempted fuel for  
18 another purpose is guilty of a misdemeanor, and is punishable by a  
19 fine of not more than \$5,000.

20 \* Sec. 4. AS 43.40.100(2) is amended to read:

21 (2) "motor fuel" means fuel used in an engine for the  
22 propulsion of a motor vehicle or [,] aircraft, and fuel used in a boat  
23 or watercraft, or in a stationary engine, machine or mechanical  
24 contrivance which is run [PROPELLED] by an internal combustion motor;  
25 "motor fuel" does not include [EXCEPT ON CONSIGNMENTS OF MOTOR]

26 (A) fuel consigned [OIL] to foreign countries,

27 (B) [EXCEPT MOTOR] fuel [OIL] sold for use in jet  
28 propulsion aircraft operating in flights to foreign countries,

29 (C) [AND EXCEPT] fuel used in stationary power plants

1 operating as public utility plants and generating electrical  
2 energy for sale to the general public, [OR]

3 (D) fuel used by nonprofit power associations or  
4 corporations for generating electric energy for resale, or

5 (E) fuel used by charitable institutions;

6 \* Sec. 5. This Act takes effect July 1, 1976.  
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148675

January 30, 1976

The Honorable Mike Bradner  
Speaker of the House  
Alaska State Legislature  
Juneau, Alaska 99811

Dear Mr. Speaker:

In accordance with AS 24.30.060(b) and the Uniform Rules of the Alaska State Legislature, I am transmitting a bill to increase the motor fuel tax for watercraft from four to eight cents per gallon and to reduce the tax exemption now allowed for marine fuel used for non-propulsion purposes aboard watercraft.

The increasing demand for harbor facilities throughout the state necessitates an increase in this tax. The marine fuel tax is paid into a special account in the general fund and is returned to the boater in the form of appropriations for improved harbor facilities. Most commercial fishermen and recreational boaters are already aware of the problems encountered in recent years in trying to maintain a viable harbor improvement program in the face of spiraling construction costs without increases in revenues. They are familiar with over-crowded moorage facilities and long waiting lists.

It is my opinion that there is no basis for exempting all non-propulsion fuel used aboard watercraft. It is not difficult for an individual to circumvent the law, with little chance of being caught, if he wilfully chooses to do so. A careful analysis of fuel transfer records shows marked differences in the percentage exempted from area to area, indicating a likelihood that fuel purchased for non-propulsion purposes is used for propulsion in many instances. Apparently there are cases of owners exempting large quantities of fuel during certain periods on the pretense that they are moored and not using their main propulsion. I do feel that a reasonable exemption should be granted for diesel fuel used for cooking and heating since this fuel is similar to fuel used in households for the same purpose. By the terms of the bill, up to 25 per cent of a fueling of diesel fuel may be exempt from tax if it is to be used for cooking and heating.

Based on historical data and revenue projections, it is estimated that the legislation proposed would net an additional \$1,300,000 to the Watercraft Fuel Tax Account in Fiscal Year 1977.

In the last legislative session, the administration introduced House Bill 306 to change the basic motor fuel tax from eight to ten cents per gallon. The watercraft fuel tax rate is not affected by House Bill 306. However, since the two tax rates are set by the same section, AS 43.40.010, this bill and House Bill 306 could be considered together.

Sincerely,

Jay S. Hammond  
Governor

Fuel Delivered FY 75.	33,921,391 gallons
Fuel Exempted FY 75	6,831,066 gallons
Taxable Fuel FY 75.	27,090,327 gallons

FY 75 Tax collected =  $27,090,327 \times .04 = \$1,083,613$

Estimated growth FY 75 to FY 77 = 16.3%

Estimated FY 77 tax based on 2¢ per gallon increase in tax =  
 $27,090,327 \times 116.3 \times .06 = \$1,890,363$

Estimated FY 77 tax based on elimination of exemptions =  
 $33,921,391 \times 116.3 \times .04 = \$1,578,023$

Estimated FY 77 tax based on 2¢ increase plus elimination =  
 $33,921,391 \times 116.3 \times .05 = \$2,367,035$

Normal increase by FY 77 =  $\$1,083,613 \times 116.3 = \$1,260,242$

Increase due to 2¢ additional tax =  $\$1,890,363 - 1,260,242 = \$630,121$

Increase due to elimination =  $\$1,578,023 - 1,260,242 = \$317,781$

Increase due to combination =  $\$2,367,035 - 1,260,242 = \$1,106,793$

THE LEGISLATURE OF THE STATE OF ALASKA  
FISCAL NOTE

Second Session - Ninth Legislature

I. REQUEST

Bill No. House Bill No. 675  
 Title: Relating to the tax on motor fuel for watercraft  
 Requested by: House Finance Date: 2/12/76  
 Return Date Requested: \_\_\_\_\_  
 Agency Dept. of Public Works Program: Division of Water and Harbors

II. FISCAL DETAIL

Budget Request Unit(s) Affected: Water and Harbors Facilities

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		1,290.0	1,393.2	1,504.7	1,730.4	1,842.8
400 COMMODITIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC.						
TOTAL		1,290.0	1,393.2	1,504.7	1,730.4	1,842.8

B. FUNDING: (Thousands of dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER						

C. POSITIONS:

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

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

It is estimated that the proposed legislation will generate the additional revenues indicated. These estimates are based on historical data and revenue projections as prepared by the Division of Water and Harbors and Department of Revenue. It is assumed that the increased revenues will be appropriated to Water and Harbors as a part of the traditional small boat harbor development program and utilized to complete needed improvements throughout the State.

IV. ATTACHMENTS

- Worksheet for calculating revenue increases.

V. DATE: February 11, 1976 PREPARED BY: Don Statter, Director  
 Division of Water and Harbors

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

FY 1975 FUEL TAX

In 1975 the Marine Fuel Tax generated \$1,145,000 in revenue. At the present rate of 4¢ per gallon, this indicates that 28.6 million gallons of fuel were taxed. In addition, records show that an additional 6.8 million gallons were exempted from the tax on the basis of affidavits signed by the purchaser claiming non-propulsion use. For purposes of these projections, it is assumed that, in FY 75, 6.1 million gallons of gasoline and 29.3 million gallons of diesel fuel were delivered.

GROWTH RATES

Growth rates for marine fuel sales have been estimated at between 6 and 10 percent. Data available for the first five months of FY 76 shows an increase of approximately 8% which would appear to bear out these predictions. To project current data to FY 77, an annual rate of 8% appears reasonable.

Beyond 1977, changes could take place that will substantially alter this 8% rate. A substantial increase should take place toward the end of the decade predicated on the hoped for fisheries rehabilitation and enhancement programs. This should be followed by a period of normal growth somewhat moderated by a slowdown in pipeline activity which should tend to offset the continued growth in recreational boating.

COOKING AND HEATING EXEMPTION

The proposed legislation sets the maximum allowable diesel exemption at 25%. Even though this figure may be generous for the larger boats, it is expected that the full legal exemption will be claimed in most cases. This is based on the fact that nearly 30% is being exempted at present and the affidavit system does little to discourage cheating.

PROJECTION TO FY 77

Gas	=	6.1 million gallons x 8% x 8% x 8¢	=	569,500
Diesel	=	29.3 million gallons x 8% x 8% x 75% x 8¢	=	<u>2,050,500</u>
		FY 77 FUEL TAX	=	2,620,000
		ESTIMATED FY 77 TAX BASED ON CURRENT STATUTES	=	<u>1,330,000</u>
		NET INCRLEASE		\$1,290,000

THE LEGISLATURE OF THE STATE OF ALASKA  
FISCAL NOTE

Second Session - Ninth Legislature

I. REQUEST

Bill No. House Bill #675  
 Title: An Act relating to the tax on motor fuel for watercraft  
 Requested by: House Finance Committee Date: \_\_\_\_\_  
 Return Date Requested: \_\_\_\_\_  
 Agency: Revenue Program: Audit

II. FISCAL DETAIL

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

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						
400 COMMODITIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC.						
TOTAL	None	None	None	None	None	None

B. FUNDING: (Thousands of dollars)

GENERAL FUND	None	None	None	None	None	None
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 II.)

N/A

IV. ATTACHMENTS

1. Memo from R. G. Mitchell dated February 5, 1976.
2. Revenue Projections Detail (Form 22) Marine Fuel Tax as submitted by the Audit Division of the Department of Revenue for inclusion in Revenue Source Document.
3. Statistical Record for past 5 years on Marine Fuel gallons sold or transferred in

V. DATE: 2-5-76 PREPARED BY: *Gary Jenkins* Alaska.

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. \_\_\_\_\_  
 Title: Relating to the tax on motor fuel for watercraft  
 Requested by: Fran Ulmer Date: December 15, 1975  
 Return Date Requested: December 22, 1975  
 Agency: Public Works Program: Water and Harbors

II. FISCAL DETAIL

Budget Request Unit(s) Affected: Water and Harbors Facilities

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		1,107.0	1,185.0	1,305.0	1,376.0	1,466.0
400 COMMODITIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC.						
TOTAL		1,107.0	1,185.0	1,305.0	1,376.0	1,466.0

B. FUNDING: (Thousands of dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER						

C. POSITIONS:

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

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

It is estimated that the proposed legislation will generate the additional revenues indicated. These estimates are based on historical data and revenue projections as prepared by Water and Harbors and contained in their FY 77 Capital Budget Request. It is assumed that the increased revenues will be appropriated to Water and Harbors as a part of the traditional small boat harbor development program and utilized to complete needed improvements throughout the State.

IV. ATTACHMENTS

1. Water and Harbors Revenue estimated from FY 77 Budget Request.
2. Water and Harbors work sheet for calculating first year revenue increase.

V. DATE: December 18, 1975 PREPARED BY: Don Statter, Director  
 Division of Water and Harbors

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

Fuel Delivered FY 75	33,921,391 gallons
Fuel Exempted FY 75	6,831,066 gallons
Taxable Fuel FY 75	27,090,327 gallons

FY 75 Tax collected =  $27,090,327 \times .04 = \$1,083,613$

Estimated growth FY 75 to FY 77 = 16.3%

Estimated FY 77 tax based on 2¢ per gallon increase in tax =  
 $27,090,327 \times 116.3 \times .06 = \$1,890,363$

Estimated FY 77 tax based on elimination of exemptions =  
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Normal increase by FY 77 =  $\$1,083,613 \times 116.3 = \$1,260,242$

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Increase due to elimination =  $\$1,578,023 - 1,260,242 = \$317,781$

Increase due to combination =  $\$2,367,035 - 1,260,242 = \$1,106,793$

SOURCE OF REVENUE - The tax on fuel used in engines for the propulsion of boats and watercraft is four cents per gallon with an exemption for the portion claimed as being for non-propulsion. Although not a dedicated fund as such, these revenues have traditionally been used to finance the Water and Harbors construction program. The Marine Fuel Tax account in the general fund maintains the identity of this revenue source and is the financial basis for the Water and Harbors budget as presented herein. Statutory authority is contained in AS 43.40.010-100.

The projections presented here are based on the "FISHERIES" assumptions contained in the Budget Instructions. In general, a very nominal growth rate was applied to the period through 1978; a substantial increase at the end of the decade predicated on the hoped for improvement in climatic conditions together with the first effects of a rehabilitation and an enhancement program; followed by a period of normal growth. These factors are modified by increases in recreational boating, due to population growth, increased employment, and generally higher wages, attributable in part to pipeline construction. (The latest Marine Fuel Tax Estimate available from the Department of Revenue is attached for reference purposes.)

1975	Actual	1,100.0	1979	Estimate	1,485.0
1976	Estimate	1,177.0	1980	Estimate	1,570.0
1977	Estimate	1,260.0	1981	Estimate	1,660.0
1978	Estimate	1,350.0	1982	Estimate	1,760.0

BRU WATER AND HARBORS FACILITIES BRU CODE 13-73-3-03-00-00 REVISED

THE LEGISLATURE OF THE STATE OF ALASKA  
FISCAL NOTE

Second Session - Ninth Legislature

I. REQUEST

Bill No. Senate Bill  
 Title: An Act relating to the tax on motor fuel for watercraft  
 Requested by: Fran Ulmer, Leg. Asst. to Gov. Date: 12/15/75  
 Return Date Requested: 12/22/75  
 Agency: Department of Revenue Program: Audit Division

II. FISCAL DETAIL

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

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						
400 COMMODITIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC.						
TOTAL	None	None	None	None	None	None

B. FUNDING: (Thousands of dollars)

GENERAL FUND	None	None	None	None	None	None
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)

See attached Revenue Projections Detail for Marine Fuel Tax as prepared by the Audit Division of the Department of Revenue with reference to the estimated revenues for the Fiscal Years 1977 and 1978. Increasing the tax from 4¢ to 6¢ would produce estimated additional tax revenues of \$671,880 for FY 77 and \$772,550 for FY 78. The elimination of the exemption from tax on fuel used for heating and cooking purposes aboard boats and watercraft would produce estimated additional revenues at the new tax of 6¢ per gallon of \$390,000 for FY 77 and \$448,500 for FY 78.

IV. ATTACHMENTS

Revenue Projections Detail (Form 22) for Marine Fuel Tax as submitted by the Audit Division of the Department of Revenue for inclusion in Revenue Source Document.

V. DATE: 12-17-75 PREPARED BY: Robert Mitchell

Robert Mitchell, Revenue Auditor  
Department of Revenue

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

22 REVENUE PROJECTIONS DETAIL

FUND 100	RECEIPT CODE 023	RECEIPT TITLE MARINE FUEL TAX		
ALLOCATION CODE 04-93-8-100		BRU CODE 04-93-1-01-01-00		
FY 75 ACTUAL RECEIPTS	FY 76 ESTIMATED RECEIPTS	FY 76 REVISED ESTIMATE	FY 77 ESTIMATED RECEIPTS	FY 78 ESTIMATED RECEIPTS
1,145.2	1,244.1	1,244.1	1,343.6	1,545.1

STATE GENERATED RECEIPTS

ADDITIONAL DATA

UNRESTRICTED

REFERENCE: A. S. 43.40.010-100 (As Amended)  
ESTIMATE METHOD

Rate: The tax on motor fuel used in engines for the propulsion of boats and watercraft of all descriptions is 4¢ per gallon except that portion claimed at the time of purchase as exempt for non-propulsion use such as heating and cooking.

See "Additional Data"

Revenues are deposited in a special "Watercraft Fuel Tax Account" in the General Fund.

RESTRICTED (PROGRAM / INTERAGENCY)

FY 76 Budget Original Estimate: 1,244.1  
FY 76 Budget Revised Estimate: 1,244.1

REFERENCE (A. S.; R. S. A.; ETC.):  
ESTIMATE METHOD

Collections 7/1/75 - 10/31/75 (575.4) are .4% less than in the line prior year period. With the disastrous 1975 commercial fishing and no indication for an improvement in 1976 there is no justification for revising the FY 76 estimate in either direction.

FEDERAL RECEIPTS

REFERENCE: P. L.  
TITLE:  
HOW COMPUTED:  
TERMS/ STATUS:  
MATCH/MAINTENANCE  
OF EFFORT:  
REQUIREMENTS MET: BRU

FY 77 Budget Estimate: 1,343.6  
+8%

Because of demographic projections of 12% population increase and a slight increase in off shore drilling activity an 8% increase has been estimated for FY 77. Commercial fishing remains below normal levels but there will be an increase in pleasure craft population.

BRU AUDIT

BRU CODE 4-93-1-01-01-00

REVISED

Additional Data (contd) Marine Fuel Tax

FY 78 Budget Estimate	1,545.1
8%	
<u>7%</u>	
+15%	

In addition to an estimated 8% increase based on demographic projections, commercial fishing runs are predicted to recover as a result of new fish spawning techniques and a normal return of 3 year and 5 year spawning runs resulting in a total increase of 15% over FY 77.

In the event Federal & State Lease sales in Coastal waters become fact an additional increase can be expected due to marine traffic to and from drilling platforms.

The water transport from Valdez of oil from the North Slope is not expected to effect FY 78 but certainly will be a factor in FY. 79.

ERU \_\_\_\_\_ AUDIT \_\_\_\_\_ BRU CODE 04-93-1-01-01-00 REVISED \_\_\_\_\_

	EXPLANATION	
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Original sponsor: Rules Committee by  
request of the Governor

1 IN THE HOUSE

BY THE FINANCE COMMITTEE

2 CS FOR HOUSE BILL NO. 675

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 NINTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to the tax on motor fuel for water-  
7 craft; and providing for an effective date."

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

9 \* Section 1. AS 43.40.010(a) and (b) are amended to read:

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11 fuel sold or otherwise transferred within the state, except that

12 (1) the tax on aviation gasoline is four cents a gallon,

13 (2) the tax on motor fuel used in [ENGINES FOR THE PROPULSION  
14 OF] boats and watercraft of all descriptions is four cents a gallon [;  
15 IF A PERSON CLAIMS AN EXEMPTION FOR NONPROPULSION USE UNDER THIS PARA-  
16 GRAPH, HE SHALL SIGN A STATEMENT AT THE TIME OF THE SALE OR TRANSFER  
17 ATTESTING TO THE FACT THAT THE AMOUNT OF FUEL FOR WHICH HE CLAIMS THE  
18 EXEMPTION WILL BE USED ONLY FOR NONPROPULSION USE ABOARD A BOAT OR  
19 WATERCRAFT], and

20 (3) the tax on all aviation fuel other than gasoline is two  
21 and one-half cents a gallon.

22 (b) There is levied a tax of eight cents a gallon on all motor  
23 fuel consumed by a user, except that

24 (1) the tax on aviation gasoline consumed is four cents a  
25 gallon,

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7 \* Sec. 3. AS 43.40.100(2) is amended to read:

8 (2) "motor fuel" means fuel used in an engine for the pro-  
9 pulsion of a motor vehicle or [,] aircraft, and fuel used in a boat or  
10 watercraft, or in a stationary engine, machine or mechanical contrivance  
11 which is run [PROPELLED] by an internal combustion motor; "motor fuel"  
12 does not include [EXCEPT ON CONSIGNMENTS OF MOTOR]

13 (A) fuel consigned [OIL] to foreign countries,

14 (B) [EXCEPT MOTOR] fuel [OIL] sold for use in jet pro-  
15 pulsion aircraft operating in flights to foreign countries,

16 (C) [AND EXCEPT] fuel used in stationary power plants  
17 operating as public utility plants and generating electrical energy  
18 for sale to the general public, [OR]

19 (D) fuel used by nonprofit power associations or cor-  
20 porations for generating electric energy for resale, or

21 (E) fuel used by charitable institutions;

22 \* Sec. 4. This Act takes effect July 1, 1976.  
23  
24  
25  
26  
27  
28  
29

Original sponsor: Rules Committee by  
request of the Governor

1 IN THE HOUSE

BY THE FINANCE COMMITTEE

2 CS FOR HOUSE BILL NO. 675

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 NINTH LEGISLATURE - SECOND SESSION

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19 WATERCRAFT], and

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11 which is run [PROPELLED] by an internal combustion motor; "motor fuel"  
12 does not include [EXCEPT ON CONSIGNMENTS OF MOTOR]

13 (A) fuel consigned [OIL] to foreign countries,

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15 pulsion aircraft operating in flights to foreign countries,

16 (C) [AND EXCEPT] fuel used in stationary power plants  
17 operating as public utility plants and generating electrical energy  
18 for sale to the general public, [OR]

19 (D) fuel used by nonprofit power associations or cor-  
20 porations for generating electric energy for resale, or

21 (E) fuel used by charitable institutions;

22 \* Sec. 4. This Act takes effect July 1, 1976.  
23  
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27  
28  
29

Original sponsor: Rules Committee by  
request of the Governor

1 IN THE HOUSE

BY THE FINANCE COMMITTEE

2 CS FOR HOUSE BILL NO. 675

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 NINTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to the tax on motor fuel for water-  
7 craft; and providing for an effective date."

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

9 \* Section 1. AS 43.40.010(a) and (b) are amended to read:

10 (a) There is levied a tax of eight cents a gallon on all motor  
11 fuel sold or otherwise transferred within the state, except that

12 (1) the tax on aviation gasoline is four cents a gallon,

13 (2) the tax on motor fuel used in [ENGINES FOR THE PROPULSION  
14 OF] boats and watercraft of all descriptions is four cents a gallon [;  
15 IF A PERSON CLAIMS AN EXEMPTION FOR NONPROPULSION USE UNDER THIS PARA-  
16 GRAPH, HE SHALL SIGN A STATEMENT AT THE TIME OF THE SALE OR TRANSFER  
17 ATTESTING TO THE FACT THAT THE AMOUNT OF FUEL FOR WHICH HE CLAIMS THE  
18 EXEMPTION WILL BE USED ONLY FOR NONPROPULSION USE ABOARD A BOAT OR  
19 WATERCRAFT], and

20 (3) the tax on all aviation fuel other than gasoline is two  
21 and one-half cents a gallon.

22 (b) There is levied a tax of eight cents a gallon on all motor  
23 fuel consumed by a user, except that

24 (1) the tax on aviation gasoline consumed is four cents a  
25 gallon,

26 (2) the tax on motor fuel used in [ENGINES FOR THE PROPUL-  
27 SION OF] boats and watercraft of all descriptions is four cents a  
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4 (3) the tax on all aviation fuel other than gasoline is two  
5 and one-half cents a gallon.

6 \* Sec. 2. AS 43.40.020(b) is repealed.

7 \* Sec. 3. AS 43.40.100(2) is amended to read:

8 (2) "motor fuel" means fuel used in an engine for the pro-  
9 pulsion of a motor vehicle or [,] aircraft, and fuel used in a boat or  
10 watercraft, or in a stationary engine, machine or mechanical contrivance  
11 which is run [PROPELLED] by an internal combustion motor; "motor fuel"  
12 does not include [EXCEPT ON CONSIGNMENTS OF MOTOR]

13 (A) fuel consigned [OIL] to foreign countries,

14 (B) [EXCEPT MOTOR] fuel [OIL] sold for use in jet pro-  
15 pulsion aircraft operating in flights to foreign countries,

16 (C) [AND EXCEPT] fuel used in stationary power plants  
17 operating as public utility plants and generating electrical energy  
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19 (D) fuel used by nonprofit power associations or cor-  
20 porations for generating electric energy for resale, or

21 (E) fuel used by charitable institutions;

22 \* Sec. 4. This Act takes effect July 1, 1976.  
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ALASKA STATE LEGISLATURE

NINTH.. Legislature SECOND... Session

HOUSE BILL..... NO. 675..

By .RULES.COMMITTEE.BY.REQUEST OF THE GOVERNOR

"An Act relating to the tax on motor fuel for watercraft; and providing for an effective date."

Motor fuel for watercraft, tax

Introduced in the House ....1/30., 19.76

HISTORY IN THE HOUSE

19 76	Read first time and referred to Committee on																						
Jan 30	Finance																						
	Reported back with recommendation that																						
	Read second time and																						
	Read third time and																						
	<table border="0"> <tr> <td style="text-align: center;">PASS</td> <td style="text-align: center;">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> <tr> <td colspan="2" style="text-align: center;">Reconsideration</td> </tr> <tr> <td style="text-align: center;">PASS</td> <td style="text-align: center;">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	Reconsideration		PASS	Effective Date	Yeas	Yeas	Nays	Nays	Absent	Absent	Excused	Excused
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	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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	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: 1/30/76  
Referred: Finance

1 IN THE HOUSE

BY THE RULES COMMITTEE BY  
REQUEST OF THE GOVERNOR

2 HOUSE BILL NO. 675

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 NINTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to the tax on motor fuel for water-  
7 craft; and providing for an effective date."

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

9 \* Section 1. AS 43.40.010(a) is amended to read:

10 CHAPTER 40. MOTOR FUEL [OIL] TAX.

11 (a) There is levied a tax of eight cents a gallon on all motor  
12 fuel sold or otherwise transferred within the state, except that  
13 (1) the tax on aviation gasoline is four cents a gallon,  
14 (2) the tax on motor fuel used in [ENGINES FOR THE PROPUL-  
15 SION OF] boats and watercraft of all descriptions, excluding that  
16 motor fuel which is to be used for heating and cooking aboard boats  
17 and watercraft, is eight [FOUR] cents a gallon; if a person claims an  
18 exemption for cooking and heating [NONPROPULSION] use under this  
19 paragraph, he shall sign a statement at the time of the sale or  
20 transfer attesting to the fact that the amount of fuel for which he  
21 claims the exemption will be used only for cooking and heating [NON-  
22 PROPULSION USE] aboard a boat or watercraft, but the exemption applies  
23 to no more than 25 per cent of the sale or transfer of motor fuel, and  
24 (3) the tax on all aviation fuel other than gasoline is two  
25 and one-half cents a gallon.

26 \* Sec. 2. AS 43.40.010(b) is amended to read:

27 (b) There is levied a tax of eight cents a gallon on all motor  
28 fuel consumed by a user, except that  
29 (1) the tax on aviation gasoline consumed is four cents a

1 gallon,

2 (2) the tax on motor fuel used in [ENGINES FOR THE PROPUL-  
3 SION OF] boats and watercraft of all descriptions excluding that motor  
4 fuel used for heating and cooking aboard boats and watercraft, is  
5 eight [FOUR] cents a gallon; if a person claims an exemption for  
6 cooking and heating [NONPROPULSION] use under this paragraph, he shall  
7 sign a statement at the time of the sale or transfer [PURCHASE] attest-  
8 ing to the fact that the amount of fuel for which he claims the exemp-  
9 tion will be used only for cooking and heating [NONPROPULSION] use  
10 aboard a boat or watercraft, but the exemption applies to no more than  
11 25 per cent of the sale or transfer of motor fuel, and

12 (3) the tax on all aviation fuel other than gasoline is two  
13 and one-half cents a gallon.

14 \* Sec. 3. AS 43.40.020(b) is amended to read:

15 (b) A person who claims the heating and cooking [NONPROPULSION]  
16 use fuel tax exemption under sec. 10(a)(2) or sec. 10(b)(2) of this  
17 chapter and who uses a portion of the amount of the exempted fuel for  
18 another purpose is guilty of a misdemeanor, and is punishable by a  
19 fine of not more than \$5,000.

20 \* Sec. 4. AS 43.40.100(2) is amended to read:

21 (2) "motor fuel" means fuel used in an engine for the  
22 propulsion of a motor vehicle or [,] aircraft, and fuel used in a boat  
23 or watercraft, or in a stationary engine, machine or mechanical  
24 contrivance which is run [PROPELLED] by an internal combustion motor;  
25 "motor fuel" does not include [EXCEPT ON CONSIGNMENTS OF MOTOR]

26 (A) fuel consigned [OIL] to foreign countries,

27 (B) [EXCEPT MOTOR] fuel [OIL] sold for use in jet  
28 propulsion aircraft operating in flights to foreign countries,

29 (C) [AND EXCEPT] fuel used in stationary power plants

1 operating as public utility plants and generating electrical  
2 energy for sale to the general public, [OR]

3 (D) fuel used by nonprofit power associations or  
4 corporations for generating electric energy for resale, or

5 (E) fuel used by charitable institutions;

6 \* Sec. 5. This Act takes effect July 1, 1976.  
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## MEMORANDUM

State of Alaska

TO: Gary L. Jenkins  
Director

DATE: February 5, 1976

FILE NO:

TELEPHONE NO:

FROM: R. G. Mitchell  
Revenue Auditor

SUBJECT: House Bill #675

Increasing the tax from 4¢ per gallon to 8¢ per gallon would produce estimated additional revenues of \$1,343,600 for FY 77 and \$1,545,100 for FY 78. Restricting the exemption from tax on fuel used for heating and cooking purpose aboard boats and watercraft to 25% of each purchase would increase the revenue on diesel fuel an additional approximate \$20,000 in FY 77 and \$22,500 in FY 78.

RGM/bjm

MARINE FUEL DIESEL

	FY 71	FY 72	FY 73	FY 74	FY 75
Total Gallons	22,454,855	21,741,501	34,391,418	27,672,073	25,615,729
Exempt Gallons	2,726,319	10,849	12,962,389	7,470,150	4,554,110
Division I	5,920,543	6,653,363	7,212,725	7,155,371	6,820,660
Division II	209,932	466,378	112,837	121,005	162,784
Division III	13,307,324	14,020,217	13,757,457	12,563,379	13,650,286
Division IV	209,737	590,694	346,010	362,168	427,889
Total Taxable Gallons	19,728,536	21,730,652	21,429,029	20,201,923	21,061,619
Non-Propulsion (Non-Taxable) % to Taxable Gallons	-0-	-0-	*1,338,210 6.24%	6,883,901 34.08%	6,831,066 32.43%

\* Chapter 153, Laws of 1972 provided for non-propulsion exemption for heating and cooking aboard watercraft - effective date July 1, 1972.

## MARINE FUEL GASOLINE

	FY 71	FY 72	FY 73	FY 74	FY 75
Total Gallons	5,983,083	5,310,976	5,461,045	6,170,104	6,055,498
Exempt Gallons	7,093	8,027	148,346	21,479	26,790
Division I	2,056,741	1,823,736	1,888,127	2,161,252	2,132,697
Division II	319,792	386,370	323,634	485,082	744,981
Division III	2,829,121	2,257,806	2,106,819	2,514,323	2,175,059
Division IV	770,336	835,037	994,119	987,968	975,971
Total Taxable Gallons	5,975,990	5,302,949	5,312,699	6,148,625	6,028,708

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

I. REQUEST

Bill No. NB675  
 Title: Relating to the tax on motor fuel for watercraft  
 Requested by: Fran Ulmer Date: December 15, 1975  
 Return Date Requested: December 22, 1975  
 Agency: Public Works Program: Water and Harbors

II. FISCAL DETAIL

Budget Request Unit(s) Affected: Water and Harbors Facilities

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		1,107.0	1,185.0	1,305.0	1,376.0	1,466.0
400 COMMODITIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC.						
<b>TOTAL</b>		1,107.0	1,185.0	1,305.0	1,376.0	1,466.0

B. FUNDING: (Thousands of dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER						

C. POSITIONS:

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

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

It is estimated that the proposed legislation will generate the additional revenues indicated. These estimates are based on historical data and revenue projections as prepared by Water and Harbors and contained in their FY 77 Capital Budget Request. It is assumed that the increased revenues will be appropriated to Water and Harbors as a part of the traditional small boat harbor development program and utilized to complete needed improvements throughout the State.

IV. ATTACHMENTS

1. Water and Harbors Revenue estimated from FY 77 Budget Request.
2. Water and Harbors work sheet for calculating first year revenue increase.

V. DATE: December 18, 1975 PREPARED BY: Don Statter, Director  
 Division of Water and Harbors

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. Senate Bill  
 Title: An Act relating to the tax on motor fuel for watercraft  
 Requested by: Fran Ulmer, Leg. Asst. to Gov. Date: 12/15/75  
 Return Date Requested: 12/22/75  
 Agency: Department of Revenue Program: Audit Division

II. FISCAL DETAIL

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

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						
400 COMMODITIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC.						
TOTAL	None	None	None	None	None	None

B. FUNDING: (Thousands of dollars)

GENERAL FUND	None	None	None	None	None	None
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)

See attached Revenue Projections Detail for Marine Fuel Tax as prepared by the Audit Division of the Department of Revenue with reference to the estimated revenues for the Fiscal Years 1977 and 1978. Increasing the tax from 4¢ to 6¢ would produce estimated additional tax revenues of \$671,880 for FY 77 and \$772,550 for FY 78. The elimination of the exemption from tax on fuel used for heating and cooking purposes aboard boats and watercraft would produce estimated additional revenues at the new tax of 6¢ per gallon of \$390,000 for FY 77 and \$448,500 for FY 78.

IV. ATTACHMENTS

Revenue Projections Detail (Form 22) for Marine Fuel Tax as submitted by the Audit Division of the Department of Revenue for inclusion in Revenue Source Document.

V. DATE: 12-17-75 PREPARED BY: Robert Mitchell

Robert Mitchell, Revenue Auditor  
 Department of Revenue

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. House Bill No. 675  
 Title: Relating to the tax on motor fuel for watercraft  
 Requested by: House Finance Date: 2/12/76  
 Return Date Requested: \_\_\_\_\_  
 Agency Dept. of Public Works Program: Division of Water and Harbors

II. FISCAL DETAIL

Budget Request Unit(s) Affected: Water and Harbors Facilities

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		1,290.0	1,393.2	1,504.7	1,730.4	1,842.8
400 COMMODITIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC.						
TOTAL		1,290.0	1,393.2	1,504.7	1,730.4	1,842.8

B. FUNDING: (Thousands of dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER						

C. POSITIONS:

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

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

It is estimated that the proposed legislation will generate the additional revenues indicated. These estimates are based on historical data and revenue projections as prepared by the Division of Water and Harbors and Department of Revenue. It is assumed that the increased revenues will be appropriated to Water and Harbors as a part of the traditional small boat harbor development program and utilized to complete needed improvements throughout the State.

IV. ATTACHMENTS

- Worksheet for calculating revenue increases.

V. DATE: February 11, 1976 PREPARED BY: Don Statter, Director  
 Division of Water and Harbors

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

### FY 1975 FUEL TAX

In 1975 the Marine Fuel Tax generated \$1,145,000 in revenue. At the present rate of 4¢ per gallon, this indicates that 28.6 million gallons of fuel were taxed. In addition, records show that an additional 6.8 million gallons were exempted from the tax on the basis of affidavits signed by the purchaser claiming non-propulsion use. For purposes of these projections, it is assumed that, in FY 75, 6.1 million gallons of gasoline and 29.3 million gallons of diesel fuel were delivered.

### GROWTH RATES

Growth rates for marine fuel sales have been estimated at between 6 and 10 percent. Data available for the first five months of FY 76 shows an increase of approximately 8% which would appear to bear out these predictions. To project current data to FY 77, an annual rate of 8% appears reasonable.

Beyond 1977, changes could take place that will substantially alter this 8% rate. A substantial increase should take place toward the end of the decade predicated on the hoped for fisheries rehabilitation and enhancement programs. This should be followed by a period of normal growth somewhat moderated by a slowdown in pipeline activity which should tend to offset the continued growth in recreational boating.

### COOKING AND HEATING EXEMPTION

The proposed legislation sets the maximum allowable diesel exemption at 25%. Even though this figure may be generous for the larger boats, it is expected that the full legal exemption will be claimed in most cases. This is based on the fact that nearly 30% is being exempted at present and the affidavit system does little to discourage cheating.

### PROJECTION TO FY 77

Gas	=	6.1 million gallons x 8% x 8% x 8¢	=	569,500
Diesel	=	29.3 million gallons x 8% x 8% x 75% x 8¢	=	<u>2,050,500</u>
		FY 77 FUEL TAX	=	2,620,000
		ESTIMATED FY 77 TAX BASED ON CURRENT STATUTES	=	<u>1,330,000</u>
		NET INCREASE		\$1,290,000

Original sponsor: Rules Committee by  
request of the Governor

1 IN THE HOUSE

BY THE FINANCE COMMITTEE

2 CS FOR HOUSE BILL NO. 675

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 NINTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to the tax on motor fuel for water-  
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8 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

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13 (2) the tax on motor fuel used in [ENGINES FOR THE PROPULSION  
14 OF] boats and watercraft of all descriptions is four cents a gallon [;  
15 IF A PERSON CLAIMS AN EXEMPTION FOR NONPROPULSION USE UNDER THIS PARA-  
16 GRAPH, HE SHALL SIGN A STATEMENT AT THE TIME OF THE SALE OR TRANSFER  
17 ATTESTING TO THE FACT THAT THE AMOUNT OF FUEL FOR WHICH HE CLAIMS THE  
18 EXEMPTION WILL BE USED ONLY FOR NONPROPULSION USE ABOARD A BOAT OR  
19 WATERCRAFT], and

20 (3) the tax on all aviation fuel other than gasoline is two  
21 and one-half cents a gallon.

22 (b) There is levied a tax of eight cents a gallon on all motor  
23 fuel consumed by a user, except that

24 (1) the tax on aviation gasoline consumed is four cents a  
25 gallon,

26 (2) the tax on motor fuel used in [ENGINES FOR THE PROPUL-  
27 SION OF] boats and watercraft of all descriptions is four cents a  
28 gallon [; IF A PERSON CLAIMS AN EXEMPTION FOR NONPROPULSION USE UNDER  
29 THIS PARAGRAPH, HE SHALL SIGN A STATEMENT AT THE TIME OF PURCHASE

1 ATTESTING TO THE FACT THAT THE AMOUNT OF FUEL FOR WHICH HE CLAIMS THE  
2 EXEMPTION WILL BE USED ONLY FOR NONPROPULSION USE ABOARD A BOAT OR  
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7 \* Sec. 3. AS 43.40.100(2) is amended to read:

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9 pulsion of a motor vehicle or [,] aircraft, and fuel used in a boat or  
10 watercraft, or in a stationary engine, machine or mechanical contrivance  
11 which is run [PROPELLED] by an internal combustion motor; "motor fuel"  
12 does not include [EXCEPT ON CONSIGNMENTS OF MOTOR]

13 (A) fuel consigned [OIL] to foreign countries,

14 (B) [EXCEPT MOTOR] fuel [OIL] sold for use in jet pro-  
15 pulsion aircraft operating in flights to foreign countries,

16 (C) [AND EXCEPT] fuel used in stationary power plants  
17 operating as public utility plants and generating electrical energy  
18 for sale to the general public, [OR]

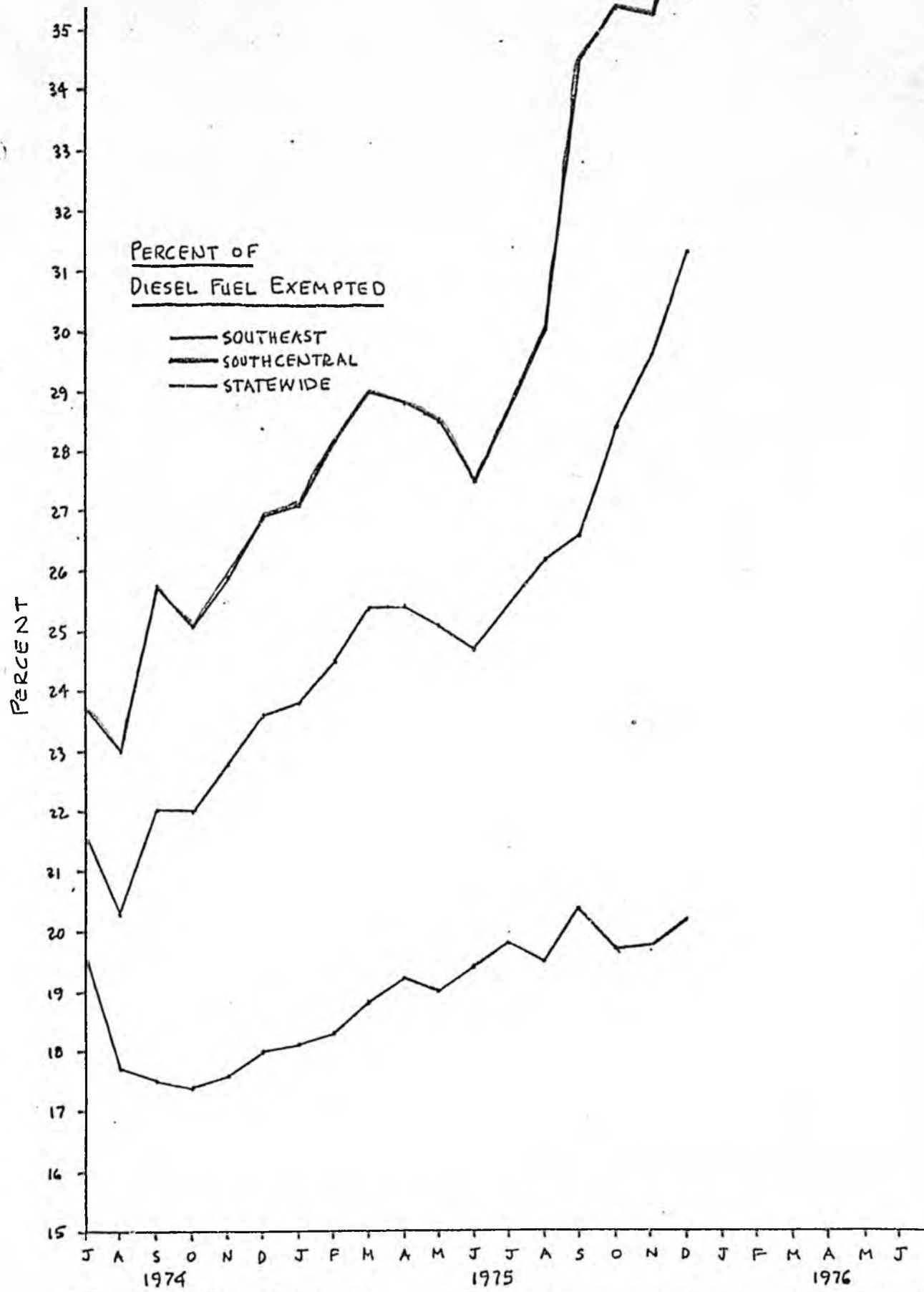
19 (D) fuel used by nonprofit power associations or cor-  
20 porations for generating electric energy for resale, or

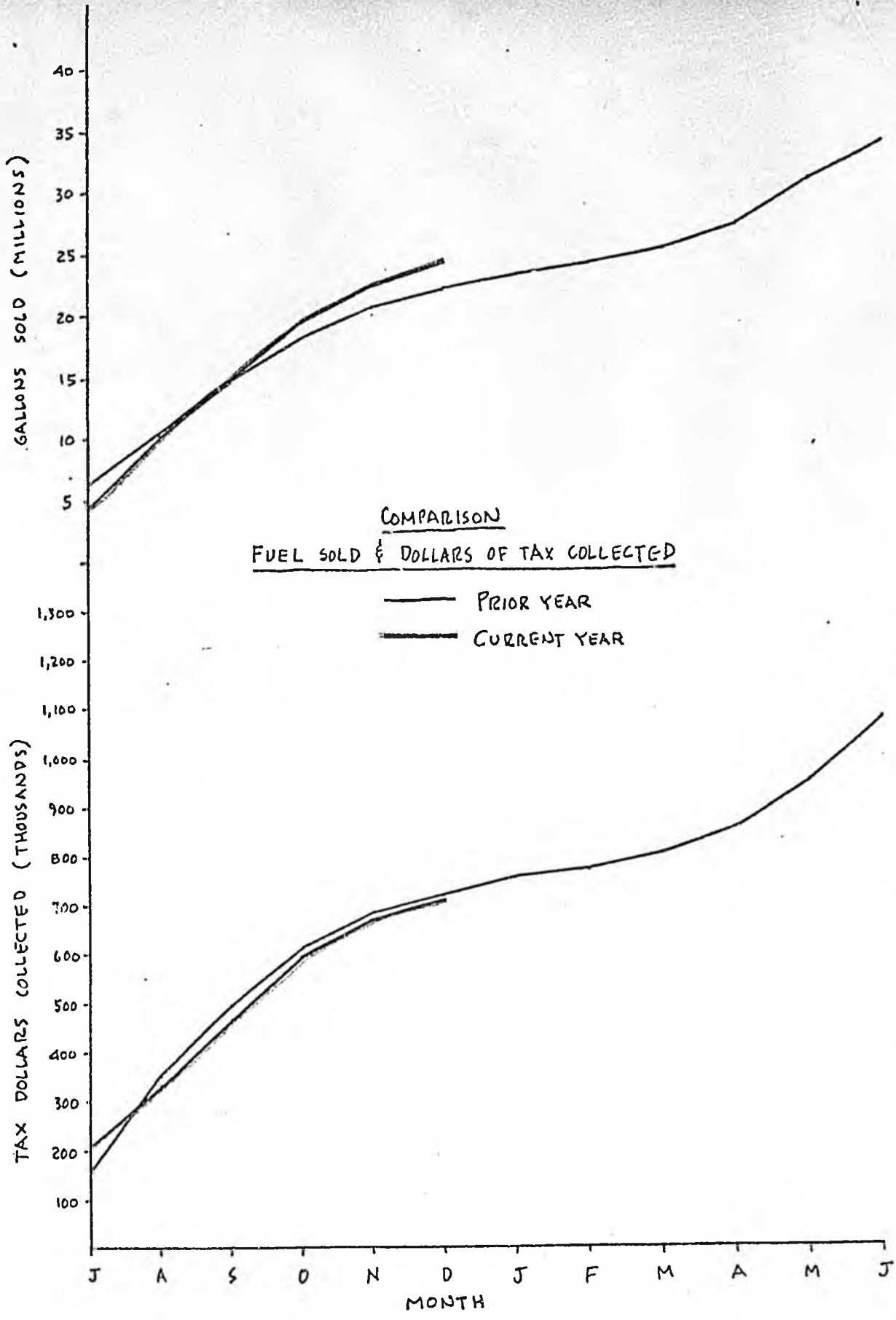
21 (E) fuel used by charitable institutions;

22 \* Sec. 4. This Act takes effect July 1, 1976.  
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JULY 1, 1975 thru DECEMBER 31, 1975

	DIV I	DIV II	DIV III	DIV IV	TOTAL
<b>FUEL SOLD</b>	5,890,265	503,352	16,787,970	1,179,594	24,441,271
PRIOR YEAR	6,685,723	898,295	13,527,447	1,059,645	22,170,130
CHANGE	-11.9%		+24.1%		+10.2%
<b>FUEL TAXED</b>	4,943,412	554,180	11,461,368	984,131	17,943,091
PRIOR YEAR	5,746,223	895,315	10,295,264	1,059,645	17,996,467
CHANGE					-0.3%
<b>FUEL EXEMP.</b>	946,853	29,172	5,326,602	195,463	6,498,180
PRIOR YEAR	939,500	2,980	3,232,183		4,173,663
CHANGE	+0.8%		+64.8%		+55.7%
<b>DIESEL TAXED</b>	3,753,145		9,010,675		14,259,489
PRIOR YEAR	4,269,333		8,794,683		13,522,190
CHANGE					+5.5%
<b>% DIESEL EX</b>	20.2		37.2		31.3
PRIOR YEAR	18.0		26.9		23.6







# RECORDS CERTIFICATION



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

James O. Smith  
Signature of Camera Operator

2/6/90  
Date

REPORTS OF STANDING COMMITTEES

HB 97 The Judiciary Committee has had HOUSE BILL NO. 97 (termination of financing statements under the Uniform Commercial Code effective date) under consideration a second time and the committee recommends it be replaced with COMMITTEE SUBSTITUTE FOR HOUSE BILL NO. 97 (Judiciary)

"An Act relating to security interests under the Uniform Commercial Code, and providing for an effective date "

and that it be reported back with individual recommendations. Gardiner (Chairman) and Rudd recommend do pass; Dankworth, Carpenter and Brown have no recommendation.

HB 97 was referred to the Rules Committee for placement on the calendar.

HB 682 The Finance Committee has had HOUSE BILL NO. 682 (nonrenewable resources revenues) under consideration and a majority of the committee recommends it be replaced with COMMITTEE SUBSTITUTE FOR HOUSE BILL NO. 682 (Finance):

"An Act relating to the renewable resources funds."

and that it do pass. Concurring: Cowper (Chairman), Guy, Schaeffer, Meekins, Buchholdt, Duncan and Gruening. Not concurring: Freeman, Rhode, Haugen and Swanson have no recommendation.

HB 682 was referred to the Rules Committee for placement on the calendar.

A fiscal note on HB 682 appears in House Supplement 30.

The Finance Committee's letter of intent appears as follows:

HOUSE FINANCE COMMITTEE  
COMMITTEE REPORT ON CS HB682 (Finance)

The Renewable Resources Development Fund was established by the legislature in 1974 to provide for the rehabilitation, enhancement, and development of the state's renewable resources. The Fund consists of at least five percent of all mineral lease bonuses and royalties, and rentals from state lands. The proposed legislation establishes the Alaska Renewable Resources Corporation to invest half of the receipts of the Fund in renewable resource-based industries. The other half of the Fund would be saved through the Renewable Resources Investment Fund. The name of the Renewable Resources Permanent Fund (AS 37.11.050) is changed to the Renewable Resources Investment Fund to avoid confusion with the Alaska Permanent Fund (Article 9, section 15 of the Alaska State Constitution).

FREE CONFERENCE COMMITTEE SUBSTITUTE FOR HOUSE BILL NO 611  
 (making supplemental appropriations to the Office of the Governor, telecommunications the legislative finance division, the Department of Commerce and Economic Development, division of business loans; the Legislative Affairs Agency; and the Alaska State Council on the Arts; and providing for an effective date.)  
 Chapter 25, SLA 1978

FCCS  
 HB  
 611

HOUSE BILL NO 911  
 (making a supplemental appropriation to the Legislative Affairs Agency; and providing for an effective date.)  
 Chapter 26, SLA 1978

HB  
 911

MESSAGES FROM THE SENATE

A message dated April 11, 1978 was read stating the Senate has passed HOUSE BILL NO. 619 (supplemental appropriation to Department of Labor, vocational rehabilitation and Training Station #8; effective date) and it is returned.

HB  
 619

HB 619 was referred to the Chief Clerk for enrollment.

A message dated April 11, 1978 was read stating the Senate has concurred in the House amendment to COMMITTEE SUBSTITUTE FOR SENATE BILL NO. 401, thus adopting:

HCS  
 CSSB  
 401

HOUSE COMMITTEE SUBSTITUTE FOR COMMITTEE SUBSTITUTE FOR SENATE BILL NO. 401  
 (supplemental appropriation to Department of Public Safety and Department of Community and Regional Affairs; effective date)

A message dated April 11, 1978 was read stating the Senate has passed the following bill and it is transmitted for consideration.

FIRST READING AND REFERENCE OF SENATE BILLS

SENATE BILL NO. 556 amended, by the Finance Committee, entitled:

SB  
 556  
 am

"An Act relating to medical assistance for needy persons; and providing for an effective date."

was read the first time and referred to the Committees on Health, Education and Social Services and Finance.

Investments of the Alaska Renewable Resources Corporation (ARRC) would focus on new products, markets, and technologies which are the key components of expanded renewable resource-based economic activity. Products and markets result from any economic use of the resources, while technologies include the methods for managing, harvesting, processing, or delivering the resources to market. ARRC would also provide funds for the applied research, development and demonstration of new renewable resource-based activities, and the seed capital necessary to introduce them into commercial markets.

HB  
682

For the earliest stages of renewable resource industry development (applied research and development), the Committee does not envision ARRC funding of general or basic research by university or other scientific research organizations. This type of research is covered by other programs. Rather, ARRC-funded applied research and development activity would utilize the fruits of basic research to develop specific products or processes for commercial purposes.

In addition to stimulation of new economic activity based on the state's renewable resources, investment goals also include the maintenance or expansion of resource productivity, the development of in-state and export markets, and the expansion of resident employment, income, and governmental revenues from renewable resource development.

The term renewable resources is defined in terms of the resource base, which remains relatively constant over time, rather than in terms of economic activity, which changes over time. Accordingly, non-human living organisms, air, land, water, and naturally recurring energy systems are intended as the target of investment activity. In the tourism industry, for example, the Committee contemplates investment in the resources on which the industry is partially based, such as sport fishing, but not such capital components of the industry as hotels and lodging facilities.

An integral part of the bill is the concept of achieving an appropriate use of the resources. As trustees of our renewable resources the state is constitutionally directed to seek the most beneficial uses. ARRC investment decisions should consider both expected financial returns and the effects of resource development on both the target resource and on other resources. Achieving appropriate resource use at the inception of economic activity will greatly benefit the state and its residents by avoiding longer-run regulatory and rehabilitation burdens resulting in more stable economic activity based on all of the state's renewable resources.

In its deliberations, the Committee determined that the most effective method of investment includes both equity and debt secured by a variety of mechanisms to provide a return to the corporation when an investment starts to generate income. Such methods maximize incentives for entrepreneurship through ARRC sharing of the risks inherent in new ventures and imposing no debt service burdens until the enterprise is earning income. The corporation would in turn receive high returns from its successful investments, commensurate with the risks undertaken.

The Committee identified three important types of activity which may have no income producing potential (depending on the specifics of the project) and therefore must be funded through grants. These include applied research (which directs basic research toward specific products and processes for commercial purposes), one-time-only demonstrations, and common property resource projects where the benefits accrue to the general public. Funds available for grants are limited to ten percent of the corporation's annual appropriation and to ninety percent of a project's costs.

HB 682 In addition to the lack of start-up capital, the Committee found that another major obstacle to renewable resource development is a shortage of Alaskans trained in new harvesting, processing, or marketing techniques and business management skills. CS HB662 provides for the corporation to finance technical assistance to supplement the expertise of its applicants. The corporation is specifically forbidden, however, from managing its projects. The costs of this assistance are to be included in the overall project financing and are to be repaid by the borrower.

The flow of funds, as established in AS 37.11 (Renewable Resources Development Fund), begins with the deposit of at least five percent of all mineral lease bonuses and royalties, and rentals from state lands, into the Renewable Resources Development Fund. Under the proposed legislation, half of this amount would be allocated to the ARRC and half would be allocated to the Renewable Resources Investment Fund. Under existing law (AS 37.11.060), only those funds not expended out of the Development Fund would be deposited in the Investment Fund. When the Investment Fund reaches \$250 million, the five percent flow into the Development Fund ceases and the only further source of money under this program is the income from the Investment Fund. The Committee was concerned that this system creates an incentive to spend out of the Development Fund to prevent the Investment Fund from ever reaching the \$250 million cap. Therefore the fifty-fifty split was devised as a "forced savings" both to remove this incentive to spend and to insure the availability of investment Fund income in perpetuity.

Investment Fund principle under the bill would be invested by the treasury division of the Department of Revenue in secure investments (under AS 19.35.110). The earnings from these investments would be available for legislative appropriation to programs for the rehabilitation, enhancement, and development of the state's renewable resources. The bill proposes as the primary use of Investment Fund income the restoration of the state's renewable resources. Because restoration of public natural resources in most cases is not a direct profit generating activity, the state must take the lead in performing this essential public purpose. Restoration includes such activities as fish hatcheries, land reclamation and habitat improvement.

The allocation into the corporation would be available for investments or grants as described above. The corporation would be subject to the Executive Budget Act (37.07) and may expend money only as appropriated by the legislature. The earnings from corporation investments, and unexpended or unobligated appropriations from previous fiscal years, may be retained by the corporation for expenditure through subsequent appropriations. The operating budget of the ARRC would come from legislative appropriations from the general fund.

HB 692 The Finance Committee has had HOUSE BILL NO. 692 (requiring the election pamphlet to contain fiscal information for ballot propositions) under consideration and a majority of the committee recommends it be replaced with COMMITTEE SUBSTITUTE FOR HOUSE BILL NO. 692 (Finance):

"An Act requiring the election pamphlet to contain fiscal information for ballot propositions; and providing for an effective date."

and that it do pass. Concurring: Cowper (Chairman), Freeman, Rhode, Haugen, Guy, Schaeffer, Swanson and Buchholdt. Not concurring: Gruening has no recommendation.

# COMMITTEE REPORT

3/9/78

## HOUSE

FURTHER: \_\_\_\_\_

Date: 4/11/78

Mr. Speaker:

The Committee on FINANCE has had HB 682

"An Act relating to nonrenewable resources revenues."

under consideration and (a majority of the committee) (the committee reports it back as follows)

- recommends it do pass                       recommends it do not pass
- recommends it do pass with attached amendment(s)
- recommends it be replaced with CS for HB 682 (Finance)

and HB 682  new title                       same title

- AND attaches a Letter of Intent                       New Fiscal Note
- reports it back without recommendation
- and recommends it be referred to the \_\_\_\_\_ Committee

### MEMBERS SIGNING DO PASS:

[Signature]  
[Signature]  
[Signature]  
Buchholdt  
[Signature]  
[Signature]  
[Signature]  
[Signature]  
[Signature]

### OTHER RECOMMENDATIONS:

Freeman No Rec  
Rhode No Rec  
[Signature]  
[Signature]  
[Signature]  
[Signature]  
[Signature]

[Signature]  
Chairman

HOUSE FINANCE COMMITTEE  
COMMITTEE REPORT ON CS HB682 (Finance)

The Renewable Resources Development Fund was established by the legislature in 1974 to provide for the rehabilitation, enhancement, and development of the state's renewable resources. The Fund consists of at least five percent of all mineral lease bonuses and royalties, and rentals from state lands. The proposed legislation establishes the Alaska Renewable Resources Corporation to invest half of the receipts of the Fund in renewable resource-based industries. The other half of the Fund would be saved through the Renewable Resources Investment Fund. The name of the Renewable Resources Permanent Fund (AS 37.11.050) is changed to the Renewable Resources Investment Fund to avoid confusion with the Alaska Permanent Fund (Article 9, section 15 of the Alaska State Constitution).

Investments of the Alaska Renewable Resources Corporation (ARRC) would focus on new products, markets, and technologies which are the key components of expanded renewable resource-based economic activity. Products and markets result from any economic use of the resources, while technologies include the methods for managing, harvesting, processing, or delivering the resources to market. ARRC would also provide funds for the applied research, development and demonstration of new renewable resource-based activities, and the seed capital necessary to introduce them into commercial markets.

For the earliest stages of renewable resource industry development (applied research and development), the Committee does not envision ARRC funding of general or basic research by university or other scientific research organizations. This type of research is covered by other programs. Rather, ARRC-funded applied research and development activity would utilize the fruits of basic research to develop specific products or processes for commercial purposes.

In addition to stimulation of new economic activity based on the state's renewable resources, investment goals also include the maintenance or expansion of resource productivity, the development of in-state and export markets, and the expansion of resident employment, income, and governmental revenues from renewable resource development.

The term renewable resources is defined in terms of the resource base, which remains relatively constant over time, rather than in terms of economic activity, which changes over time. Accordingly, non-human living organisms, air, land, water, and naturally recurring energy systems are intended as the target of investment activity. In the tourism industry, for example, the Committee contemplates

investment in the resources on which the industry is partially based, such as sport fishing, but not such capital components of the industry as hotels and lodging facilities.

An integral part of the bill is the concept of achieving an appropriate use of the resources. As trustees of our renewable resources the state is constitutionally directed to seek the most beneficial uses. ARRC investment decisions should consider both expected financial returns and the effects of resource development on both the target resource and on other resources. Achieving appropriate resource use at the inception of economic activity will greatly benefit the state and its residents by avoiding longer-run regulatory and rehabilitation burdens resulting in more stable economic activity based on all of the state's renewable resources.

In its deliberations, the Committee determined that the most effective method of investment includes both equity and debt secured by a variety of mechanisms to provide a return to the corporation when an investment starts to generate income. Such methods maximize incentives for entrepreneurship through ARRC sharing of the risks inherent in new ventures and imposing no debt service burdens until the enterprise is earning income. The corporation would in turn receive high returns from its successful investments, commensurate with the risks undertaken.

The Committee identified three important types of activity which may have no income producing potential (depending on the specifics of the project) and therefore must be funded through grants. These include applied research (which directs basic research toward specific products and processes for commercial purposes), one-time only demonstrations, and common property resource projects where the benefits accrue to the general public. Funds available for grants are limited to ten percent of the corporation's annual appropriation and to ninety percent of a project's costs.

In addition to the lack of start-up capital, the Committee found that another major obstacle to renewable resource development is a shortage of Alaskans trained in new harvesting, processing, or marketing techniques and business management skills. CS HB682 provides for the corporation to finance technical assistance to supplement the expertise of its applicants. The corporation is specifically forbidden, however, from managing its projects. The costs of this assistance are to be included in the overall project financing and are to be repaid by the borrower.

The flow of funds, as established in AS 37.11 (Renewable Resources Development Fund), begins with the deposit of at least five percent of all mineral lease bonuses and royalties, and rentals from state lands, into the Renewable Resources Development Fund. Under the proposed legislation, half of this amount would be allocated to the ARRC and half would be allocated to the Renewable Resources Investment Fund. Under existing law (AS 37.11.060), only those funds not expended out of the Development Fund would be deposited in the Investment Fund. When the Investment Fund reaches \$250 million, the five percent flow into the Development Fund ceases and the only further source of money under this program is the income from the Investment Fund. The Committee was concerned that this system creates an incentive to spend out of the Development Fund to prevent the Investment Fund from ever reaching the \$250 million cap. Therefore the fifty-fifty split was devised as a "forced savings" both to remove this incentive to spend and to insure the availability of Investment Fund income in perpetuity.

Investment Fund principle under the bill would be invested by the treasury division of the Department of Revenue in secure investments (under AS 39.35.110). The earnings from these investments would be available for legislative appropriation to programs for the rehabilitation, enhancement, and development of the state's renewable resources. The bill proposes as the primary use of Investment Fund income the restoration of the state's renewable resources. Because restoration of public natural resources in most cases is not a direct profit generating activity, the state must take the lead in performing this essential public purpose. Restoration includes such activities as fish hatcheries, land reclamation and habitat improvement.

The allocation into the corporation would be available for investments or grants as described above. The corporation would be subject to the Executive Budget Act (37.67) and may expend money only as appropriated by the legislature. The earnings from corporation investments, and unexpended or unobligated appropriations from previous fiscal years, may be retained by the corporation for expenditure through subsequent appropriations. The operating budget of the ARRC would come from legislative appropriations from the general fund.

Original sponsor: The Special Committee  
on the Alaska Permanent  
Fund

1 IN THE HOUSE

BY THE FINANCE COMMITTEE

2 CS FOR HOUSE BILL NO. 682 (Finance)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 TENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to the renewable resources funds."  
7 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

8 \* Section 1. AS 37 is amended by adding a new chapter to read:

9 CHAPTER 12. ALASKA RENEWABLE RESOURCES CORPORATION.

10 Sec. 37.12.010. DECLARATION OF POLICY. It is the policy of the  
11 state to

12 (1) rehabilitate, enhance, and develop its renewable re-  
13 sources and, insofar as is consistent with sound resource management  
14 policies, develop its human resources by providing maximum opportunities  
15 for employment and a higher standard of living for its citizens; and

16 (2) utilize the funds set aside under ch. 11 of this title to  
17 further the (A) development of renewable resources that will contribute  
18 to a stable self-sustaining state economy, employment opportunities, and  
19 lifestyle alternatives for its citizens, and (B) commercial, tradi-  
20 tional, and common uses of the state's renewable resources.

21 Sec. 37.12.020. FINDINGS. (a) The legislature finds that Alaska  
22 has renewable resources that are not being utilized to their full poten-  
23 tial. Many problems which confront the state, including high unem-  
24 ployment and unstable economy, could be mitigated by the expanded use  
25 and development of its renewable resources.

26 (b) It is further found that Alaska's economy has historically  
27 depended upon sporadic and non-stable development.

28 (c) It is further found that several key factors have contributed  
29 to the slow development of renewable resource industries, including,

1 (1) insufficiency of research and development financing and  
2 venture capital financing;

3 (2) a lack of knowledge within the business and financial  
4 communities about conditions affecting renewable resource industrial  
5 development in the state and a lack of scientific information concerning  
6 many resources; and

7 (3) a lack of technology appropriate to Alaska.

8 (d) It is further found that the state's policy of assisting the  
9 development of viable industries is best accomplished by providing  
10 assistance to the private sector to identify and demonstrate new pro-  
11 ducts, markets, and technologies.

12 Sec. 37.12.030. ALASKA RENEWABLE RESOURCES CORPORATION CREATED.  
13 There is created the Alaska Renewable Resources Corporation to carry out  
14 the purposes of this chapter. The corporation is a public corporation  
15 of the state and an instrumentality of the state within the Department  
16 of Revenue, but has a legal existence independent of and separate from  
17 the state. The exercise by the corporation of the powers conferred by  
18 this chapter is considered an essential function of the state.

19 Sec. 37.12.040. PURPOSES. The purposes of the corporation are to

20 (1) facilitate the rehabilitation, enhancement, and develop-  
21 ment of the state's renewable resources so as to strengthen the self-  
22 sustaining sectors of the state economy;

23 (2) sponsor research and development of technologies and  
24 innovations for the rehabilitation and enhancement of the state's renew-  
25 able resources to achieve an appropriate use of the resources;

26 (3) identify new products, markets, and technologies for  
27 renewable resource industries in the state which will constitute an  
28 appropriate use of the resources; stimulate the research and development  
29 of these products, markets, and technologies; assist in the demonstra-

1 tion of their technical and economic feasibility; and assist in their  
2 introduction into commercial markets.

3 Sec. 37.12.050. ALLOCATION. (a) There shall be allocated to the  
4 corporation from the receipts described in AS 37.11.020 five per cent of  
5 the total receipts paid the state from mineral lease bonuses and rentals  
6 for state land and royalties derived from minerals produced on state  
7 land. Payments of the amount allocated by this section shall be made to  
8 the corporation by the Department of Revenue on a monthly basis.

9 (b) Fifty per cent of all actual receipts of the corporation, from  
10 whatever source except receipts from the corporation's investments,  
11 shall be deposited into the renewable resources investment fund (AS  
12 37.11.050).

13 Sec. 37.12.060. BOARD OF TRUSTEES. A board of trustees of the  
14 corporation is established as its governing body.

15 Sec. 37.12.070. COMPOSITION OF THE BOARD OF TRUSTEES. The board  
16 of trustees consists of three members appointed by the governor and  
17 confirmed by a majority of the members of the legislature in joint ses-  
18 sion. The board shall annually elect a chairman from among its members.  
19 A chairman may not succeed himself.

20 Sec. 37.12.080. TERM OF OFFICE. The members of the board of  
21 trustees shall be appointed for terms of four years, and they may be  
22 reappointed. Terms shall be staggered. The initial terms shall be one  
23 member serving for two years, one member serving for three years, and  
24 one member serving for four years.

25 Sec. 37.12.090. REMOVAL AND VACANCIES. (a) The governor may  
26 remove a board member from office by and with the consent of a majority  
27 of the members of the legislature in joint session. A removal by the  
28 governor shall be in writing and state the reason for removal. If the  
29 legislature is not in session, the governor may suspend a member of the

1 board. Upon suspension, a board member may not participate in board  
2 business and may not be counted for the purpose of establishing a quo-  
3 rum. A suspended member shall continue to receive his salary as a board  
4 member until the legislature in joint session consents to his removal.  
5 The joint session shall be held within 30 days from the date of removal  
6 if the removal occurs while the legislature is in session or within 30  
7 days of convening of the legislature if the legislature is not in ses-  
8 sion. If the legislature refuses to consent to his removal, the board  
9 member shall be reinstated to his position.

10 (b) A vacancy on the board shall be promptly filled by appointment  
11 by the governor and confirmation by a majority of members of the legis-  
12 lature in joint session. An appointee to fill a vacancy shall hold  
13 office for the balance of the term for which his predecessor on the  
14 board was appointed. If a vacancy arises on the board while the legis-  
15 lature is not in session, the governor may appoint an interim board  
16 member until such time as the legislature in joint session fails to  
17 confirm the interim member's appointment.

18 (c) A vacancy on the board does not impair the authority of a  
19 quorum of the board to exercise all the powers and perform all the  
20 duties of the board.

21 Sec. 37.12.100. QUALIFICATIONS OF BOARD MEMBERS. (a) No person  
22 may be appointed to the board who has not been a resident of the state  
23 for at least three years.

24 (b) No member of the board may hold any other state or federal  
25 office, position, or employment, whether elective or appointive, except  
26 as a member of the armed forces of the United States or the state.

27 Sec. 37.12.110. QUORUM. Two members of the board constitute a  
28 quorum for the transaction of business and the exercise of the powers  
29 and duties of the board.

1           Sec. 37.12.120. COMPENSATION OF BOARD MEMBERS. Board members are  
2 in the exempt service under AS 39.25 and receive an annual salary within  
3 Range 30 of the salary schedule for state employees established by  
4 AS 39.27.011.

5           Sec. 37.12.130. EMPLOYMENT OF PERSONNEL. The board may employ and  
6 determine the salary of an executive director. The executive director  
7 may, with the approval of the board, select and employ additional staff  
8 as necessary. The executive director and all employees of the board are  
9 in the exempt service under AS 39.25.

10          Sec. 37.12.140. CONFLICTS OF INTEREST. (a) Members of the board  
11 of trustees are subject to the provisions of AS 39.50.

12          (b) No member or employee of the board may acquire an interest,  
13 direct or indirect, in a corporation, company, association, or project  
14 owned, controlled, or invested in by the corporation. If a member or  
15 employee owns or controls such an interest, he shall immediately dis-  
16 close the interest in writing to the board and refrain from participat-  
17 ing in any manner in any activity relating to that interest.

18          Sec. 37.12.150. POWERS. In carrying out the corporate powers of  
19 the corporation, the board may

- 20           (1) adopt, alter, and use a corporate seal;  
21           (2) prescribe, adopt, amend, and repeal bylaws;  
22           (3) sue and be sued in the name of the corporation;  
23           (4) enter into any agreements necessary to the exercise of  
24 its powers and functions;

25           (5) accept grants from and contract with the federal govern-  
26 ment and the state or its political subdivisions and to that end comply  
27 with the provisions of federal, state, or local programs where neces-  
28 sary, except that it may not enter into any agreements whereby any  
29 permanent state or local government position is funded or partially

1 funded in connection with a project;

2 (6) accept grants and loans from other sources than those in  
3 (5) of this section to be held and used for the purposes of the corpora-  
4 tion;

5 (7) appear in behalf of the corporation before boards, com-  
6 missions, departments, or other agencies of municipal, state, or federal  
7 government;

8 (8) acquire, hold, use, lease, sell, or otherwise dispose of  
9 property of any kind, real, personal, or mixed, or any interest in it;

10 (9) hold, as a means of securing the providing of financial  
11 assistance, patents, copyrights, trademarks, royalties, or any other  
12 evidences of protection or exclusivity issued under the laws of the  
13 United States or any state or nation;

14 (10) prepare, publish, and distribute technical studies,  
15 reports, bulletins and other materials it considers appropriate;

16 (11) invest, in such form as it considers appropriate, in  
17 projects which are economically viable and income-producing;

18 (12) provide grants for projects having broad public applica-  
19 tion which do not have direct income-producing potential;

20 (13) adopt regulations governing the exercise of its corporate  
21 powers;

22 (14) deposit funds, or invest surplus funds through the  
23 treasury division of the Department of Revenue which may invest in any  
24 investments authorized in AS 39.35.110 so long as its investment policy  
25 is consistent with the prudent-man rule;

26 (15) do all acts and things necessary or desirable to carry  
27 out the purposes of the corporation.

28 Sec. 37.12.160. DUTIES. In carrying out the purposes of this  
29 chapter, the board shall

1 (1) seek to maintain the productivity of healthy renewable  
2 resources and expand the productivity of depleted or underutilized  
3 renewable resources;

4 (2) provide financial assistance for projects which the board  
5 finds will accomplish the purposes of the corporation as set out in sec.  
6 40 of this chapter;

7 (3) promote the utilization of the state's renewable re-  
8 sources in the state and the development of import substitution and  
9 export markets;

10 (4) annually prepare long-range operating and financial plans  
11 and the budget for the forthcoming year;

12 (5) monitor approved projects for compliance with this chap-  
13 ter and provide operational and performance evaluations (post-audits) of  
14 projects receiving financial assistance and an overall assessment,  
15 expressed in qualitative and quantitative terms, of the degree to which  
16 the purposes of the corporation, as set out in sec. 40 of this chapter,  
17 have been achieved; and

18 (6) attempt to fund activities which will tend to maximize  
19 returns to the state and local governments and its citizens in such  
20 forms as tax revenues and resident employment and income.

21 Sec. 37.12.170. FINANCIAL ASSISTANCE. (a) In providing financial  
22 assistance, the board shall

23 (1) consider the proposals of qualified applicants only after  
24 the applicant has submitted a detailed proposal in the form prescribed  
25 by the board; no assistance may be approved by the board unless it  
26 finds, in writing, that

27 (A) the proposed project, if successful, will further  
28 the purposes of the corporation as set out in sec. 40 of this  
29 chapter;

1 (B) the application contains an adequate plan for pro-  
2 ject implementation, including, when applicable, a complete busi-  
3 ness, financial and marketing plan for commercial activities;

4 (C) sufficient capital is not available from other  
5 sources on reasonable terms;

6 (D) the applicant has agreed that if new renewable  
7 resource industrial activity results from the proposed project, his  
8 best efforts will be employed to keep that activity in the state  
9 for a minimum period of time specified by the board;

10 (E) the applicant demonstrates that sufficient technical  
11 and business expertise to accomplish the objectives of the proposed  
12 project is available;

13 (F) all costs including additional governmental cost,  
14 associated with and ancillary to the project and future obligations  
15 generated by the project have been identified, including any neces-  
16 sary operating, maintenance, or other support costs for the life of  
17 the project;

18 (G) potential resource use conflicts that may result  
19 from the proposed project are identified and evaluated, and when  
20 necessary, plans to mitigate or resolve those conflicts and to  
21 preserve for the future options for the use of the state's renew-  
22 able resources are included in the application;

23 (2) use the financial mechanism most appropriate to the  
24 conditions of the applicant and the proposed project and which will most  
25 effectively utilize the funds available; grants may be made by the board  
26 of up to 90 per cent of the total project costs for the following pur-  
27 poses:

28 (A) projects for the applied research and development of  
29 products, technologies, or innovations for the rehabilitation,

1 enhancement, or development of the state's renewable resources;

2 (B) projects for the demonstration, on a one-time basis,  
3 of the economic or technical feasibility of a new product, market,  
4 or technology involving a renewable resource; or

5 (C) projects for the rehabilitation, enhancement, or  
6 development of a common-property resource where the benefits from  
7 the project cannot be captured by any single economic unit.

8 (3) in evaluating projects, consider the preferences and  
9 priorities of the residents of the region in which the project is to be  
10 located;

11 (4) require investments made by the corporation to be secured  
12 by means determined to be appropriate by the board.

13 (b) The board may not

14 (1) invest or otherwise provide assistance of more than five  
15 per cent of the resources of the corporation or \$1,500,000, whichever is  
16 less, in a single project or applicant unless the legislature has ap-  
17 proved the investment by concurrent resolution;

18 (2) invest in more than 49 per cent of the outstanding cor-  
19 porate stock or other corporate obligations issued by an applicant  
20 unless the legislature has approved the investment by concurrent resolu-  
21 tion;

22 (3) make a loan for a period in excess of 30 years unless the  
23 legislature has approved the loan by concurrent resolution;

24 (4) assume the responsibility for management of any project  
25 in which it has invested and may not exercise voting rights for that  
26 purpose or for any other purpose which is within the scope of managerial  
27 control; or

28 (5) provide funds to any state agency unless that expenditure  
29 is included in the corporation's annual budget;

1 (6) allocate to grants more than 10 per cent of the annual  
2 appropriation of the corporation.

3 (c) Nothing in this section prevents the board from taking such  
4 action and exercising such rights as it considers necessary for the  
5 protection of its financial interests in the event of

6 (1) actual or threatened default on any of the board's in-  
7 vestments;

8 (2) actual or threatened insolvency of a project in which the  
9 board has made an investment; or

10 (3) any other immediate or actual circumstance or event which  
11 jeopardizes an investment made by the board.

12 (d) Projects for which financial assistance is granted shall  
13 comply with all applicable provisions of law.

14 Sec. 37.12.180. ELIGIBILITY FOR FINANCIAL ASSISTANCE. The board  
15 may provide financial assistance if it finds that an applicant is quali-  
16 fied to receive assistance. An applicant is qualified if

17 (1) he has submitted a proposal to the board in accordance  
18 with sec. 170(a)(1) of this chapter;

19 (2) he is a resident of the state for three years or, if the  
20 applicant is a partnership, corporation, or other association, the  
21 majority interest is beneficially owned by residents of the state and a  
22 majority of the owners are residents of the state; and

23 (3) his projects which have previously received financial  
24 assistance from the corporation, if any, have complied with all require-  
25 ments of that assistance and have performed with sufficient success or  
26 promise to warrant further aid.

27 Sec. 37.12.190. REPORTS AND PUBLICATIONS. (a) The board shall  
28 prepare and distribute in non-technical language materials describing  
29 the purposes and activities of the corporation.

1 (b) The board shall publish an annual report for the governor, the  
2 legislature, and the public at the time of submitting its annual budget  
3 request. Each annual report shall include financial statements and  
4 audit reports, a statement detailing the sources from which the corpora-  
5 tion received money, a statement detailing the investments made by the  
6 corporation, a summary and evaluation of the data required by sec.  
7 160(5) and (6) of this chapter, a list of public facilities required by  
8 or complementary to the corporation's investment activity, and any other  
9 information that the board of trustees believes would be of interest to  
10 the recipients of the report.

11 Sec. 37.12.200. BUDGET AND APPROPRIATIONS. (a) The corporation  
12 may expend money only as appropriated by the legislature. The corpora-  
13 tion is subject to the Executive Budget Act (AS 37.07) except as pro-  
14 vided in (b) and (c) of this section.

15 (b) The budget of the corporation shall include the categories and  
16 amounts of proposed financial assistance broken down by financing  
17 mechanism and resource sector affected and all funds received by the  
18 corporation whether through allocations made by this chapter, appropria-  
19 tion, or otherwise. The total amount of the corporation's operating  
20 budget shall be specified separately in its budget and be appropriated  
21 from the general fund.

22 (c) The unexpended and unobligated portion of the appropriations,  
23 other than appropriations for operating expenses, does not lapse into  
24 the general fund at the end of a fiscal year, but remains available for  
25 appropriation as provided in this section in subsequent fiscal years.

26 Sec. 37.12.210. ANNUAL AUDIT. The corporation shall have its  
27 financial record audited annually by an independent outside auditor.  
28 The legislative auditor may prescribe the form and content of the finan-  
29 cial record of the corporation and shall have access to these records at

1 any time.

2 Sec. 37.12.220. COOPERATION WITH OTHER AGENCIES. All departments,  
3 agencies, and public corporations of the state shall provide informa-  
4 tion, services and facilities to the corporation on its request. The  
5 corporation shall reimburse the department, agency, or corporation for  
6 expenses reasonably incurred on the corporation's behalf.

7 Sec. 37.12.230. TAX EXEMPTION. The corporation is exempt from all  
8 taxes and assessments in the state. All security instruments issued by  
9 the corporation, their transfer, and their income are exempt from all  
10 taxes and assessments in the state.

11 Sec. 37.12.240. TECHNICAL ASSISTANCE. (a) The corporation may  
12 provide financing for pre-investment activities including feasibility  
13 studies, when, in its opinion, the proposed project is of high priority  
14 and the financing is not available from other sources on reasonable  
15 terms and conditions. Amounts so advanced may form a part of a later  
16 investment if the enterprise or project is financed by the corporation.

17 (b) The corporation may provide funding for technical and manage-  
18 ment advice and assistance to qualified applicants as it considers  
19 necessary in the circumstances.

20 Sec. 37.12.250. PUBLIC ACCESS TO INFORMATION. Information in the  
21 possession of the corporation is a public record, except that informa-  
22 tion which discloses the particulars of the business or affairs of a  
23 private enterprise or investor is confidential and is not a public  
24 record. Confidential information may be disclosed only for the purposes  
25 of an official law enforcement investigation or when its production is  
26 required in a court proceeding. These restrictions do not prohibit the  
27 publication of statistics presented in a manner that prevents the iden-  
28 tification of reports, items, persons, or enterprises.

29 Sec. 37.12.260. DEFINITIONS. In this chapter, unless the context

1 otherwise requires,

2 (1) "applicant" means a person making application to the  
3 corporation for financial assistance;

4 (2) "board" means the Board of Trustees of the Alaska Renew-  
5 able Resources Corporation;

6 (3) "corporation" means the Alaska Renewable Resources Corpo-  
7 ration;

8 (4) "project" means products, markets, innovation, or tech-  
9 nological developments for the rehabilitation, enhancement, or develop-  
10 ment of renewable resources and includes applied research for those  
11 products, markets, or technological developments;

12 (5) "rehabilitation, enhancement, and development" means any  
13 activity or program which improves the health and well-being of a renew-  
14 able resource or renewable resource population leading to an increase in  
15 the quality or productivity of the resource and to an increase in the  
16 benefits derived from the resource to the citizens of the state;

17 (6) "renewable resource" means non-human living organisms;  
18 natural components of the environment, including the air, land, and  
19 water; and energy systems which are naturally recurring or replenished.

20 \* Sec. 2. AS 37.11.040 is amended to read:

21 Sec. 37.11.040. FUND BALANCES. Unappropriated or otherwise unen-  
22 cumbered balances remaining in the Alaska renewable resources develop-  
23 ment fund at the close of each fiscal year shall be transferred to the  
24 Alaska renewable resources investment [PERMANENT] fund.

25 \* Sec. 3. AS 37.11.050 is amended to read:

26 Sec. 37.11.050. ALASKA RENEWABLE RESOURCES INVESTMENT [PERMANENT]  
27 FUND. There is established as a separate fund the Alaska renewable re-  
28 sources investment [PERMANENT] fund. Funds apportioned by sec. 60 of  
29 this chapter for deposit in the investment [PERMANENT] fund are to be

1 held perpetually in trust for the benefit of both present and future  
2 generations of Alaskans.

3 \* Sec. 4. AS 37.11.060 is amended to read:

4 Sec. 37.11.060. FUND PRINCIPAL. Unappropriated or otherwise un-  
5 encumbered balances remaining in the Alaska renewable resources develop-  
6 ment fund at the close of each fiscal year shall be deposited in the  
7 investment [PERMANENT] fund. These deposits shall be considered fund  
8 principal and shall be invested in perpetuity in accordance with sec. 90  
9 of this chapter [AS 37.10.070 (INVESTMENT OF SURPLUS STATE FUNDS)].

10 \* Sec. 5. AS 37.11.070 is amended to read:

11 Sec. 37.11.070. UTILIZATION OF FUND INCOME. (a) Income received  
12 from investment of investment [PERMANENT] fund principal shall not be  
13 held in trust, but shall be used to provide funding for capital and  
14 operating appropriations for the rehabilitation, enhancement and de-  
15 velopment of renewable resources programs. The primary purpose of the  
16 programs shall be to restore the renewable resources of the state for  
17 common beneficial uses [PLANS FOR EXPENDITURES FROM FUND INCOME SHALL BE  
18 PREPARED IN DETAIL BY THE APPROPRIATE STATE DEPARTMENT OR AGENCY AND  
19 SHALL BE SUBMITTED BY THE GOVERNOR IN ACCORDANCE WITH THE EXECUTIVE  
20 BUDGET ACT (AS 37.07) AS PART OF HIS ANNUAL BUDGET PRESENTATION TO THE  
21 LEGISLATURE].

22 (b) Plans for expenditures from fund income shall be prepared in  
23 detail by the cooperative efforts of the Departments of Natural Re-  
24 sources, Fish and Game, Environmental Conservation, and Commerce and  
25 Economic Development, and shall be submitted by the governor in accor-  
26 dance with the Executive Budget Act (AS 37.07) as part of his annual  
27 budget presentation to the legislature. Not less than 80 per cent of  
28 the total plan submitted each year shall be apportioned for direct  
29 capital expenditures or investments.

1 \* Sec. 6. AS 37.11.080 is amended to read:

2       Sec. 37.11.080. PROTECTION OF PRINCIPAL. A transaction involving  
3 investment [PERMANENT] fund principal which results in an actual dollar  
4 loss of principal shall be reimbursed in full from fund income before  
5 any additional income is expended.

6 \* Sec. 7. AS 37.11 is amended by adding a new section to read:

7       Sec. 37.11.090. INVESTMENTS. Investment responsibility for the  
8 Alaska renewable resources investment fund shall reside with the trea-  
9 sury division of the Department of Revenue. The treasury division may  
10 invest the Alaska renewable resources investment fund in any investments  
11 authorized in AS 39.35.110 so long as its investment policy is consis-  
12 tent with the prudent-man rule.

13 \* Sec. 8. AS 44.66.010(a) is amended by adding a new paragraph to read:

14       (6) Alaska Renewable Resources Corporation (AS 37.12.030) --  
15 June 30, 1982.

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