

LEG. FINANCE - BILLS 1975 - 1976 550

SB 289 cont., thru SB 309

1 section;

2 (2) "qualified mortgage insurance company" means a mortgage
3 insurance company satisfactory to the corporation;

4 (3) "special mortgage loan insurance commitment fee" and
5 "special mortgage loan insurance premium" mean, respectively, a fee of
6 such per cent of the principal amount of a mortgage loan to be insured
7 under this section, and an annual insurance premium of such per cent
8 of the portion of the unpaid principal amount of a mortgage loan
9 insured under this section which is not federally insured or guaranteed
10 or insured by a private mortgage company, which the corporation with
11 the approval of the commissioner of commerce determines is actuarially
12 sound for the operation of the mortgage insurance fund;

13 (4) "state veteran's loan" means a mortgage loan for resi-
14 dential housing made in accordance with AS 26.15;

15 (5) the determination of what is "actuarially sound" with
16 respect to the operation of the mortgage insurance fund shall be based
17 on a consideration of the factors which will provide sufficient
18 revenues for the operation of the fund, without regard to amounts
19 which may have been or may, after the date of determination of actu-
20 arial soundness, be appropriated pursuant to (f) of this section,
21 including, without limitation, estimates of future defaults and losses
22 on mortgage loans insured under this section based on actual default
23 and loss experience on those mortgage loans or on similar mortgage
24 loans in Alaska or elsewhere, estimates of recoveries on defaulted or
25 foreclosed mortgage loans based on that experience, the terms and
26 conditions of the mortgage loans insured under this section, estimates
27 of earnings and income of amounts on deposit in the mortgage insurance
28 fund, and any other appropriate factors.

29 * Sec. 4. AS 18.56 is amended by adding a new section to read:

1 Sec. 18.56.125. CAPITAL RESERVE FUND. (a) For the purpose of
2 securing any one or more issues of its obligations, the corporation
3 may establish one or more special funds, called "capital reserve
4 funds", and shall pay into those capital reserve funds (1) any money
5 appropriated and made available by the state for the purpose of any of
6 those funds, (2) any proceeds of the sale of obligations, to the
7 extent provided in the resolution or resolutions of the corporation
8 authorizing their issuance, and (3) any other money which may be made
9 available to the corporation for the purposes of those funds from any
10 other source. All money held in a capital reserve fund, except as
11 provided in this section, shall be used as required, solely for (1)
12 the payment of the principal of obligations or of the sinking fund
13 payments with respect to those obligations, (2) the purchase or
14 redemption of obligations, (3) the payment of interest on obligations,
15 or (4) the payment of any redemption premium required to be paid when
16 those obligations are redeemed before maturity; however, money in any
17 fund may not be withdrawn from it at any time in an amount which would
18 reduce the amount of that fund to less than the capital reserve require-
19 ment set out in (b) of this section, except for the purpose of making,
20 with respect to those obligations, payment, when due, of principal,
21 interest, redemption premiums and the sinking fund payments for the
22 payment of which other money of the corporation is not available. Any
23 income or interest earned by, or increment to, a capital reserve fund,
24 due to the investment of the fund or any other amounts in it, may be
25 transferred by the corporation to other funds or accounts of the
26 corporation to the extent that the transfer does not reduce the amount
27 of the capital reserve fund below the capital reserve fund requirement.

28 (b) If the corporation decides to issue obligations secured by
29 such a capital reserve fund, the obligations may not be issued if the

1 amount in the capital reserve fund is less than such a per cent, not
2 exceeding 10 per cent of the principal amount of all of those obliga-
3 tions secured by that capital reserve fund then to be issued and then
4 outstanding in accordance with their terms, as may be established by
5 resolution of the corporation (called the "capital reserve fund
6 requirement"), unless the corporation, at the time of issuance of the
7 obligations, deposits in the fund from the proceeds of the obligations
8 to be issued or from other sources, an amount which, together with the
9 amount then in the fund, will not be less than the capital reserve
10 fund requirement.

11 (c) In computing the amount of a capital reserve fund for the
12 purpose of this section, securities in which all or a portion of the
13 funds are invested shall be valued at par or, if purchased at less
14 than par, at amortized costs if the term is defined by resolution of
15 the corporation authorizing the issue of the obligations, or by some
16 other reasonable method established by the corporation by resolution.
17 Valuation on a particular date shall include the amount of interest
18 earned or accrued to that date on the securities.

19 (d) To assure the continued operation and solvency of the cor-
20 poration for the carrying out of its corporate purposes, provision is
21 made in (a) of this section for the accumulation in capital reserve
22 funds of an amount equal to the capital reserve fund requirement.

23 (e) The chairman of the corporation shall annually, no later
24 than January 2, make and deliver to the governor and chairmen of the
25 house and senate finance committees his certificate stating the sum,
26 if any, required to restore any capital reserve fund to the capital
27 reserve fund requirement. The legislature may appropriate such a sum,
28 and all sums appropriated during the then current fiscal year by the
29 legislature for such restoration shall be deposited by the corporation

1 in the proper capital reserve fund. Nothing in this section creates a
2 debt or liability of the state.

3 (f) Whenever the corporation has created and established a
4 capital reserve fund, the commissioner of revenue may lend money in
5 the general fund to the corporation for deposit in a capital reserve
6 fund in an amount equal to the capital reserve fund requirement. The
7 loans shall be made on such terms and conditions as may be agreed upon
8 by the commissioner of revenue and the corporation, including without
9 limitation, terms and conditions providing that the loans need not be
10 repaid until the obligations of the corporation secured and to be
11 secured by the capital reserve fund are no longer outstanding.

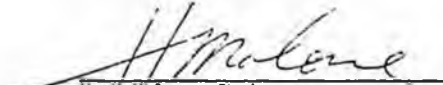
12 * Sec. 5. This Act takes effect immediately in accordance with AS 01.-
13 10.070(c).

CS5B
289

The rationale is that these investments, even if they can only be purchased at market value, should be retained as a benefit to the people of the State in some manner.

This alternative is only offered if the Governor decides to sell the mortgages that are now assets of the General Fund. The Legislature does not recommend selling General Fund assets at a loss.

Respectfully submitted,


 Hugh Malone, Chairman
 House Finance Committee"

CS5B The Finance Committee has had COMMITTEE SUBSTITUTE FOR
 310 SENATE BILL NO. 310 amended (leaves of absence for auxil-
 ary members of armed forces) under consideration and a
 majority of the members of the Committee recommends it
 be replaced with HOUSE COMMITTEE SUBSTITUTE FOR COMMITTEE
 SUBSTITUTE FOR SENATE BILL NO. 310 offered by the State
 Affairs Committee (same title) and that it do pass. The
 report was signed by Mr. Malone, Chairman, and concurred
 in by Duncan, Naughton, Haugen, Cowper, Guy, Buchholdt,
 Itta, Gruening and Malone.

COMMITTEE SUBSTITUTE FOR SENATE BILL NO. 310 amended was
 referred to the Rules Committee for placement on the
 calendar.

SB
358

The Judiciary Committee has had SENATE BILL NO. 358 (land
 to be conveyed to the state in trust for future cities
 under Alaska Native Claims Settlement Act; effective date)
 under consideration and a majority of the members of the
 Committee recommends it be replaced with HOUSE COMMITTEE
 SUBSTITUTE FOR SENATE BILL NO. 358 offered by the Community
 and Regional Affairs Committee (same title) and that it
 do pass with the following amendment:

Amendment No. 1 by the Judiciary Committee:

Page 1, line 25: Add to the end of Section 150 (c):

"Such approval shall be by resolution
 filed with the department."

The report was signed by Mr. Bradley, Vice Chairman, and
 concurred in by Bradley, Eliason, Cotten and Brown.

SENATE BILL NO. 358 was referred to the Rules Committee
 for placement on the calendar.

CS5B
367

The Health, Education and Social Services Committee has
 had COMMITTEE SUBSTITUTE FOR SENATE BILL NO. 367 (corres-
 pondence study; effective date) under consideration and
 the members of the Committee recommend it do pass. The
 report was signed by Mrs. Sullivan, Chairman, and concurred
 in by Sullivan, Mackney, Osterback and Ostrosky. Not
 concurring was Swanson who has no recommendation.

The Judiciary Committee has had SENATE BILL NO. 140 amended (Governor's Commission on the Administration of Justice) under consideration and the members of the Committee report it back with individual recommendations. The report was signed by Mr. Gardiner, Chairman. Gardiner, Brown and Bradley recommend do pass; Cotten, Spocking and Eliason recommend do not pass. SB
140
BF

SENATE BILL NO. 140 amended was referred to the Rules Committee for placement on the calendar.

The Finance Committee has had SENATE BILL NO. 171 (terminating the Alaska State Mortgage Association) under consideration and a majority of the members of the Committee recommends it do pass. The report was signed by Mr. Malone, Chairman, and concurred in by Malone, Buchholdt, Duncan, Itta, Naughton, Guy, Haugen, Gruening and Cowper. SF
171

SENATE BILL NO. 171 was referred to the Rules Committee for placement on the calendar.

The Finance Committee has had COMMITTEE SUBSTITUTE FOR SENATE BILL NO. 181 (loans for construction of hatchery facilities; effective date) under consideration and a majority of the members of the Committee recommends it do pass. The report was signed by Mr. Malone, Chairman, and concurred in by Malone, Buchholdt, Duncan, Itta, Naughton, Guy, Haugen, Gruening and Cowper. CSSB
181

COMMITTEE SUBSTITUTE FOR SENATE BILL NO. 181 was referred to the Rules Committee for placement on the calendar.

The Finance Committee has had COMMITTEE SUBSTITUTE FOR SENATE BILL NO. 289 (enlarging the purposes and powers of the Alaska Housing Finance Corporation; effective date) under consideration and a majority of the members of the Committee recommends it do pass. The report was signed by Mr. Malone, Chairman, and concurred in by Buchholdt, Itta, Duncan, Naughton, Haugen, Gruening, Cowper and Malone. Not concurring was Guy who has no recommendation. CSSB
289

COMMITTEE SUBSTITUTE FOR SENATE BILL NO. 289 was referred to the Rules Committee for placement on the calendar.

Finance Committee statement of intent on CSSB 289 appears as follows:

"HOUSE FINANCE COMMITTEE REPORT
of
LEGISLATIVE INTENT
for
COMMITTEE SUBSTITUTE FOR SENATE BILL NO. 289

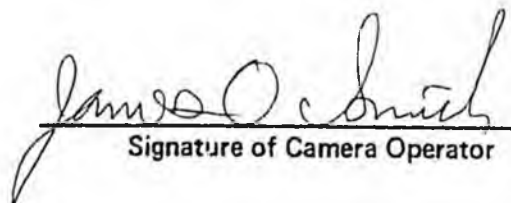
It is the Legislature's intent that the State should provide the Public Employees Retirement System and the Teachers Retirement System funds with an opportunity to purchase State veterans' mortgages from the General Fund before selling these mortgages to another buyer, such as the Alaska Housing Finance Corporation.



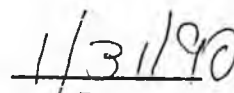
RECORDS CERTIFICATION



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



Signature of Camera Operator



Date

COMMITTEE REPORT

3/21/75

SENATE

Mr. President:

Date _____

The Committee on FINANCE has had SB 297 establishing the Alaska mineral lease bonus permanent fund under consideration. A Majority of the members of the Committee:

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

Members signing the Majority report:

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

Members NOT concurring in the Majority report:

_____ recommends:
 _____ recommends:
 _____ recommends:
 _____ recommends:
 _____ recon. ends:

_____ Chairman

Introduced: 3/21/75
Referred: Finance

1 IN THE SENATE

BY CROFT, BUTROVICH,
TILLION AND KERTTULA

2 SENATE BILL NO. 297

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 NINTH LEGISLATURE - FIRST SESSION

5 A BILL

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

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

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

10 CHAPTER 11. PERMANENT [RENEWABLE RESOURCES] FUNDS.

11 ARTICLE 2. ALASKA MINERAL LEASE BONUS PERMANENT FUND.

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

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

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

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

COMMITTEE COPY

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

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

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

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

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

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

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

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

16 (3) appropriated to provide funding for operating or capital
17 expenditures.

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

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

27 * Sec. 2. This Act takes effect immediately in accordance with AS 01.10.--
28 070(e).
29

ALASKA STATE LEGISLATURE

NINTH... Legislature FIRST... Session

SENATE BILL NO. 297

By CROFT, BUTROVICH, TILLION, AND KERTTULA

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

Alk. mineral lease bonus permanent fund

Introduced in the Senate 3/21, 19... 75

HISTORY IN THE SENATE

19	75	Read first time and referred to Committee on Finance										
2	21	Reported back with recommendation that										
		Read second time and										
		Read third time and										
		<table border="0"> <tr> <td>PASS</td> <td>Effective Date</td> </tr> <tr> <td>Yeas</td> <td>Yeas</td> </tr> <tr> <td>Nays</td> <td>Nays</td> </tr> <tr> <td>Absent</td> <td>Absent</td> </tr> <tr> <td>Excused</td> <td>Excused</td> </tr> </table>	PASS	Effective Date	Yeas	Yeas	Nays	Nays	Absent	Absent	Excused	Excused
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Excused	Excused											
		Reconsideration										
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Excused	Excused											
		Reported correctly engrossed										
		Signed by President										
		Sent to House										
SECRETARY OF THE SENATE												

HISTORY IN THE HOUSE

19		Read first time and referred to Committee on										
		Reported back with recommendation, that										
		Read second time and										
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		Reported correctly engrossed										
		Signed by Speaker										
		Returned to Senate										
CHIEF CLERK OF THE HOUSE												

HISTORY IN THE SENATE

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

Introduced: 3/21/75
Referred: Finance

1 IN THE SENATE

BY CROFT, BUKROVICH,
TILLION AND KERTTULA

2 SENATE BILL NO. 297

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 NINTH LEGISLATURE - FIRST SESSION

5 A BILL

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

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

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

10 CHAPTER 11. PERMANENT [RENEWABLE RESOURCES] FUNDS.

11 ARTICLE 2. ALASKA MINERAL LEASE BONUS PERMANENT FUND.

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

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20 ent fund. Receipts designated under sec. 120 of this chapter for deposit
21 in the permanent fund are to be held perpetually in trust for the benefit
22 of both present and future generations of Alaskans.

23 Sec. 37.11.120. FUND PRINCIPAL. Ninety-five percent of the
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25 the permanent fund. These deposits shall be considered fund principal
26 and shall be invested in perpetuity in accordance with AS 37.10.070
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28 070(c).

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11 ARTICLE 2. ALASKA MINERAL LEASE BONUS PERMANENT FUND.

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

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

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

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

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

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

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

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

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

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

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

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

16 (3) appropriated to provide funding for operating or capital
17 expenditures.

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

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

27 * Sec. 2. This Act takes effect immediately in accordance with AS 01.10.-
28 070(c).

STATE OF ALASKA

DEPARTMENT OF REVENUE

JAY S. HAMMOND, GOVERNOR

POUCH S A - JUNEAU 99811

April 2, 1975

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

Dear Senator Ray:

Senate Bill No. 297, an Act establishing the Alaska mineral lease bonus permanent fund was introduced on March 21, 1975 and was referred to the Senate Finance Committee.

At the request of Jim Fennel, I am transmitting a copy of a memorandum dated March 27, 1975 from Lawrence C. Eppenbach, Deputy Commissioner, Department of Revenue to Sterling Gallagher, Commissioner of Revenue concerning Senate Bill No. 297 and House Bill No. 324 which though not identical is similar to Senate Bill No. 297.

For your information the House Finance Committee in submitting a Committee Substitute for House Bill No. 324 changed what would appear in Sec. 37.11.120 FUND PRINCIPAL of Senate Bill No. 297 to read NINETY per cent of the receipts rather than the Ninety-five per cent and gave a broader spectrum of investments with the exception of investments in common or preferred stocks.

If you have any questions on the material submitted please call the writer and I will contact Mr. Eppenbach for further material or testimony before the Senate Finance Committee.

Very truly yours,




R. D. Stevenson
Special Assistant

RDS:sp
Enclosure

cc Lawrence Eppenbach
Deputy Commissioner
Department of Revenue

Sterling Gallagher
Commissioner
Department of Revenue

March 27, 1975

Lawrence C. Eppenbach 
Deputy Commissioner
Department of Revenue

Treasury Comments on
HB 324 and SB 297

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

General

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

Contributions

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

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

Investment

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

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

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

Use of Fund Income

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

Additional Points

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

Cost of Administration

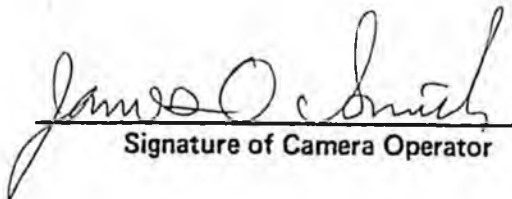
The Treasury Division does not anticipate any cost of administration requiring a fiscal note at this time with acceptance of Treasury's proposed 1976 budget. Future expenses, not expected to be large, would be displayed in future annual budgets.

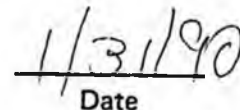


RECORDS CERTIFICATION



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


Signature of Camera Operator


Date

Committee Report

S E N A T E

3/24/75

April 5, 1975

Date

Mr. President:

The Committee on FINANCE has had SE 304 special appropriation for computerized corporate income tax data base under consideration. A majority of the members of the Committee

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

MEMBERS SIGNING THE MAJORITY REPORT:

<u>Bill Ray</u>	<u>[Signature]</u>	<u>[Signature]</u>
<u>[Signature]</u>	<u>[Signature]</u>	<u>[Signature]</u>
<u>[Signature]</u>	<u>[Signature]</u>	<u>[Signature]</u>
<u>[Signature]</u>	<u>[Signature]</u>	<u>[Signature]</u>

MEMBERS NOT CONCURRING IN THE MAJORITY REPORT:

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

Bill Ray
CHAIRMAN

The Legislature of the State of Alaska
FISCAL NOTE

First Session - Ninth Legislature

I. REQUEST

Bill No. SB 304

Title: Special Appropriation to Department of Revenue

Requested by: _____ Date: 3/26/75

Return Date Requested: _____

Agency: Revenue Program: Administration and Support

II. FISCAL DETAIL

Budget Request Unit(s) Affected: Administration and Support

A. EXPENDITURES: (Thousands of dollars)

OBJECT	FY 75	FY 76	FY 77	FY 78	FY 79	FY 80
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL	10.0	20.0				
400 COMMODITIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC.						
TOTAL	10.0	20.0				

B. FUNDING: (Thousands of dollars)

GENERAL FUND	10.0	20.0				
FEDERAL FUNDS						
OTHER						

C. POSITIONS:

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

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

See letter to Senators Huber and Representative Cowper dated March 18, 1975, memo to Randolph Berry dated December 9, 1974, and letter to Jay Hogan dated March 13, 1974, all of which are attached.

IV. ATTACHMENTS

V. DATE: March 26, 1975

PREPARED BY:

Frederick P. Boetsch

Frederick P. Boetsch, CPA
Deputy Commissioner for Taxation

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

March 18, 1975

The Honorable John Huber
Alaska State Senate
State Capitol
Juneau, Alaska 99801

Dear Senator Huber:

It is my understanding that you are interested in developing a data base for the study of state corporate income taxes. For your information, HCR 78 which passed last year provided for such a study. In response to that I sent a letter dated March 13, 1974 to Jay Hogan and a memorandum dated December 9, 1974 to Randolph Berry outlining the proposed means of capturing the necessary data in computer-readable form for such a study to take place. I will only emphasize here that a computerized data base is absolutely essential before any comprehensive study of the corporate income tax structure can be made. You will note that the amount of money requested between the two memorandums decreased. This is due to two factors: 1) the installation within the Department of Revenue of some Singer 1500 data capturing devices and 2) the implementation of the Federal CETA program for unemployed individuals whereby we can get the personal services of individuals paid for by Federal funds.

I still think that an on-going cost of \$18,000 to \$20,000 per year is certainly reasonable in view of the potential impact of having this data in a computerized form for more detailed analysis by our own staff as well as economists from the University of Alaska or staff analysts from the Legislature. In order to get the program off the ground an appropriation of about \$10,000 for the current fiscal year would allow us to commence the programming work necessary and an appropriation in FY 1976 of about \$20,000 would complete that programming and allow us to capture all corporate data for the last three years. An inter-agency agreement between us and the Legislative Council could also be used to provide the necessary funds. In fact, it was our understanding that this is the way the matter would be handled and therefore we did not seek an appropriation in our normal operating budget.

I am enclosing copies of my memorandum to Mr. Berry and my letter to Mr. Hogan of last year which I believe include all the pertinent information. I would be happy to discuss this matter with you, your staff and your fellow legislators at your convenience.

Best regards,

Frederick P. Boetsch, C.P.A.
Deputy Commissioner, Taxation

cc: Dr. Charles L. Schroth
Research Supervisor
Department of Revenue

March 18, 1975

The Honorable Steve Cowper
Alaska State House of Representatives
State Capitol
Juneau, Alaska 99801

Dear Mr. Cowper:

It is my understanding that you are interested in developing a data base for the study of state corporate income taxes. For your information, HCR 78 which passed last year provided for such a study. In response to that I sent a letter dated March 13, 1974 to Jay Hogan and a memorandum dated December 9, 1974 to Randolph Berry outlining the proposed means of capturing the necessary data in computer-readable form for such a study to take place. I will only emphasize here that a computerized data base is absolutely essential before any comprehensive study of the corporate income tax structure can be made. You will note that the amount of money requested between the two memorandums decreased. This is due to two factors: 1) the installation within the Department of Revenue of some Singer 1500 data capturing devices and 2) the implementation of the Federal CETA program for unemployed individuals whereby we can get the personal services of individuals paid for by Federal funds.

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Best regards,

Frederick P. Boetsch, C.P.A.
Deputy Commissioner, Taxation

cc: Dr. Charles L. Schroth
Research Supervisor
Department of Revenue

MEMORANDUM

State of Alaska

TO: Randolph Berry
 Reviser of Statutes
 Legislative Affairs Agency
 State Capitol, Room 111

DATE: December 9, 1974

FILE NO:

TELEPHONE NO:

FROM: Frederick P. Boetsch
 Director
 Audit Division

SUBJECT: Corporate Income Tax Study

We had previously discussed and agreed that the corporate income tax study could be done in-house and that it would be more desirable to do it that way than to hire a consultant since this type of study requires an on-going program of data gathering, analysis, and review. The data gathering function is, of course, fundamental to any type of intelligent analysis of income tax or any other tax, its revenue producing capabilities, and its incidence on the taxpayers upon whom it is assessed. There are a number of questions that should be asked on a continuing basis every year and over a period of years. It would also be desirable to be able to pose hypothetical questions regarding the elimination or modification of certain tax provisions.

We propose that an initial data capture be made from existing corporation tax returns which would provide us with all of the major categories of information that would be needed to answer many types of questions that have been or could be asked about the Alaska Corporation Net Income Tax. While there are some initial start up costs to provide the basic format and programming for capturing this data, on-going expenses would be, we feel, rather minimal.

The data to be captured would consist of all of the information on the Alaska Corporation Income Tax Return, page two, which indicates identifying data, type of filing and the calculation of the tax on lines one through eighteen. The data indicated on the apportionment schedule, page 3 items one through five, columns A, B, and A divided by B and page one of the Federal form 1120, lines one through 28, which is included as a part of filing of the Alaska Corporation and Income Tax Return. Capturing this data on computer tape would give us the ability to answer most of the questions to be asked about the corporations such as the amount of tax paid by industry, the amount of depreciation or depletion allowance by industry or by zip code, the total sales, the amount of income apportioned to Alaska for Multistate corporations doing business in the State, etc.

The initial cost of setting up the data capturing and analysis would run about \$25,000, this is for data capturing devices, tapes, IBM computer time and programmers. Approximately \$7,000 of that amount is devoted to programming, most of which would be for the initial set up. On an on-going basis, the cost of maintaining the system and continuing the data capture device would run about \$18,000 to \$20,000 a year. Obviously, this is a very minor cost compared with the real necessity to have accurate information upon which to make decisions regarding possible tax law changes which could have the effect of several millions of dollars on the State treasury. Without good data it is difficult, if not impossible, to make intelligent decisions and rational choices among various tax alternatives.

RAndolph Berry

-2-

December 9, 1974

I hope that this program would be the pilot program for an effort to subject all of our tax programs to this type of analysis based on comprehensive and accurate information.

FPB/bjm

cc: Charles Schroth
Research Analyst
Excise Tax Division

March 13, 1974

Jay Hogan, Director
Division of Legislative
Finance
Room 425, State Capitol
Pouch W
Juneau, AK 99801

Dear Mr. Hogan:

You have asked for comments on a proposed study of the corporate income tax structure and estimates of the cost of conducting such a study which would be incurred by the Department of Revenue as a result of its participation in the study.

First, I think that the idea of conducting such a study is excellent. As you know, our corporate and individual income taxes are tied into the federal tax structure. The theory behind such tie-in is to minimize the administrative problems involved in administering the tax act by relying on federal regulations, rulings, administrative decisions and court cases. In theory, this is a fine system. However, in practice, we often find that the tax policies pursued by Congress at the national level are sometimes inconsistent with or, in fact, even detrimental to policies which should be followed by the State. This is particularly true in the case of Alaska where we find an under-developed resource-based economy in contrast to the highly sophisticated, technological manufacturing and distributing economy of the United States as a whole. It is not surprising then, since taxes are often used by Congress as a fiscal and social tool, to find that the policies pursued by Congress when using this tool do not follow policies desirable for the State.

It is the responsibility of the State, therefore, to review such a system on a regular basis and to ascertain, where changes have taken place in the Federal Tax Code, whether those changes are desirable from the State's viewpoint. Furthermore, where economic conditions within the State have changed, it is also necessary to review the federal tax policies to see if they are consistent with the changes in the State's economy and with the goals of the State. In itself, this seems to me a sufficient basis for an on-going analysis of the State's economy in relationship to the tax structure in order to make intelligent, positive decisions about whether the system is in fact meeting the goals and objectives of State policy. I think that the corporate income tax area is probably a good place to start since, according to our figures, compliance in this area is probably more of a problem than in many of our other tax types.

March 13, 1974

As I understand the proposal, people from our department and your department would work together with a legislative committee to perform the basic study and analysis of the existing system and make recommendations on how it should be changed. These proposals would be the subject then of public hearings to be held around the State where we could, at that time, receive input from the public in general and from particular interested groups, such as the chambers of commerce and other businessmen. This approach, I think, is a good one since there is a great deal of disillusionment among the general public on the fairness of our taxing systems. Particular notariety has recently been paid to the large corporations and wealthy individuals who, in the mind of the public, aren't paying their fair share of the tax. Although it may be difficult to distill some of the complexities of the income tax system to a point where they can be publicly debated and discussed, I think this attempt should be made and that the public should be brought into the discussion at an early stage and as fully as possible. By receiving all of this input and coming up with some kind of legislation which has in it contributions from each of these sources, we have I think the best opportunity to develop a corporate structure that will be publicly acceptable and will accomplish the revenue raising and equity objectives that we might have.

At the outset, of course, we should realize that there are certain restraints on our ability to tax corporate net income. I won't go into all the technicalities at this point, since I believe that that should be the subject of initial meetings on this study. Suffice it to say that there is federal overriding legislation which places limitations on a state's jurisdictional reach to impose a corporate income tax and there is legislation pending in Congress at this time which would go further in the area of taxation of interstate businesses. Furthermore, the Multistate Tax Compact, of which we are a member, and which seeks to develop a uniform means of taxation by cooperative effort among the states, is being sued by the United States Steel Corporation and others in the Federal court in the Southern District of New York. The plaintiffs seek to have the Commission disbanded on the grounds that it constitutes a compact in violation of the provisions of the U.S. Constitution which requires that compacts among states be approved by Congress. At this point in time, Congress has not acted at all in this area. Our attorney believes that the non-action of Congress implies consent since many agreements do exist between and among states that have not had Congress's official blessing. In these instances, and in our particular case, the compacts do not usurp any authority of Congress or pretend to. At any time Congress could override any of these compacts or agreements by taking positive action on it. However, we are in the situation now where we have to defend ourselves in this lawsuit.

The cost of the proposed study from the Department of Revenue's standpoint is, I think, relatively minor. We do have a research analyst in the Department at the present time who has been doing a great deal of work in putting together various types of data bases and in doing some analytical work for us in various areas. He is in the process now of hiring an assistant to help him in setting up the analytical framework. The next

March 13, 1974

thing we need to do, is develop a data base on Corporate Income Tax returns by pulling off a great deal of information from the returns. Due to the many different ways in which returns are filed with us, it is really impossible for us to merely send a return to a key punch operator and expect her to accurately abstract the correct information. Furthermore, some of these corporate returns are hundreds of pages long. Therefore, the returns themselves must be analyzed and the pertinent data abstracted by individuals who are familiar with the corporate tax returns. We envision at this time, that that information could be abstracted and placed on some sort of data coding sheets which would then be keypunched and entered into a data processing system. In order to give us a reasonable data base, it would probably be necessary to abstract this information from all of our returns for the last three years. This would involve the detailed analysis of some ten thousand corporate returns and the abstraction of pertinent data onto the coding sheets. I estimate that it would take four people about four months to pull off all of this information. I think that this work could be handled by clerical personnel on a temporary basis if they were under proper supervision. Personal Services costs therefore would run about twelve thousand dollars for these people. In addition, we would need funds for systems analysis work to set up the data processing system for capturing and recording the data and analyzing it in a meaningful manner. Also we would need programming work and keypunch. After consulting with our research analyst, we have decided that such work would probably involve no more than \$25,000 to \$30,000 in Contractual Services funds to do the necessary analysis, programming, keypunch, computer time, etc. Therefore, I think we can safely place the cost to the Department of Revenue of this program at between \$37,000 and \$42,000.

Once we have all of the pertinent data, entered into the computer file and the ability to analyze this data in several different ways, we can proceed to see what the effects of various changes in the corporate tax law might be in terms of the revenues produced and the distribution of the tax burden. I know that there are economists at the University of Alaska and I believe in the Department of Economic Development who would not only be very helpful to us in this endeavor, but who are probably eager to get into such a data base and subject it to various analytical tools that they have at their command. It is conceivable that such information could be run through existing economic models of the State of Alaska in order to determine the effects of a changing corporate tax structure on the economy and on State revenues. I think that these avenues of research should be explored in the formative stages of this study.

As I stated earlier, this study should probably be viewed as a pilot study. While it is certainly involved in an area that is very critical in terms of overall state tax policy and revenues, there is no doubt in my mind that other tax areas need to be studied in a similar manner. Certainly the individual income tax which is also tied to the federal code, the gross business tax, the fish taxes, the school tax, the whole range of excise taxes and so forth should be reviewed on an ongoing basis. This study could certainly be very beneficial to the state in setting up a research

Jay Hogan, Director

-4-

March 13, 1974

methodology by which we can conduct such ongoing studies of our state tax structure and develop a taxing system that is responsive to the changes in our economy and our society.

I very greatly appreciate the interest that the legislature has shown in this project and will be very happy to contribute to its success in any way that I can.

Best regards,

Frederick P. Boetsch, CPA
Director
Audit Division

FPB:jf

Introduced: 3/24/75
Referred: Finance

BY THE RULES COMMITTEE BY
REQUEST OF THE SPECIAL COMMITTEE
ON TAXATION AND REVENUE

1 IN THE SENATE

2

SENATE BILL NO. 304

3

IN THE LEGISLATURE OF THE STATE OF ALASKA

4

NINTH LEGISLATURE - FIRST SESSION

5

A BILL

6

For an act entitled: "An Act making a special appropriation to the Department of Revenue, computerized corporate income tax data base; and providing for an effective date."

7

8

9

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

10

* Section 1. The sum of \$30,000 is appropriated from the general fund to the Department of Revenue to establish and implement a computerized corporate income tax data base to provide information for analysis and study by the legislature, the University of Alaska, and the department.

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15

* Sec. 2. The unexpended and unobligated portion of this appropriation lapses into the general fund June 30, 1976.

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* Sec. 3. This Act takes effect immediately in accordance with AS 01.10.-070(c).

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Introduced: 3/24/75
Referred: Finance

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BY THE RULES COMMITTEE BY
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Introduced: 3/24/75
Referred: Finance

BY THE RULES COMMITTEE BY
REQUEST OF THE SPECIAL COMMITTEE
ON TAXATION AND REVENUE

1 IN THE SENATE

2 SENATE BILL NO. 304

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17 070(c).

Introduced: 3/24/75
Referred: Finance

BY THE RULES COMMITTEE BY
REQUEST OF THE SPECIAL COMMITTEE
ON TAXATION AND REVENUE

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"An Act making a special appropriation to the Department of Revenue, computerized corporate income tax data base; and providing for an effective date."

COMMITTEE REPORT

4/9/75

HOUSE

Mr. Speaker:

Date

May 12, 1975

The Committee on FINANCE has had SB 304

under consideration. A Majority of the members of the Committee

recommends it DO PASS

recommends it DO NOT PASS

recommends it DO PASS WITH ATTACHED AMENDMENT(S)

recommends it BE REPLACED WITH CS FOR _____ AND THAT

CS FOR _____ DO PASS

"and" recommends it BE REFERRED TO THE _____

COMMITTEE

reports it back WITHOUT RECOMMENDATION

"other"

Members signing the Majority report:

<u>T. Buchholz</u>	<u>H. Malone</u>	_____
<u>Hansen</u>	_____	_____
<u>Finley</u>	_____	_____
<u>W. Cook</u>	_____	_____

Members NOT concurring in the Majority report:

_____ recommends:

_____ recommends:

_____ recommends:

_____ recommends:

_____ recommends:

H. Malone Chairman

Original sponsor: Rules Committee by
request of the Special Committee on
Taxation and Revenue

Offered: 6/6/75
For Today's Supplement
Calendar

1 IN THE SENATE

BY THE RULES COMMITTEE

2 HOUSE CS FOR SENATE BILL NO. 304 (re-engrossed)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 NINTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act making special appropriations to the Department
7 of Revenue and to the Legislative Budget and Audit
8 Committee; and providing for an effective date."

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

10 * Section 1. The sum of \$30,000 is appropriated from the general fund to
11 the Department of Revenue to establish and implement a computerized corporate
12 income tax data base to provide information for analysis and study by the
13 legislature, the University of Alaska, and the department.

14 * Sec. 2. The sum of \$300,000 is appropriated from the general fund to
15 the Legislative Budget and Audit Committee to conduct a reconnaissance study
16 and an evaluation of the alternative sources of electric power in the various
17 geographic regions of the state.

18 * Sec. 3. The unexpended and unobligated portion of this appropriation
19 lapses into the general fund June 30, 1976.

20 * Sec. 4. This Act takes effect immediately in accordance with AS 01.10.-
21 070(c).

HCS
304

Introduced: 3/24/75
Referred: Finance

BY THE RULES COMMITTEE BY
REQUEST OF THE SPECIAL COMMITTEE
ON TAXATION AND REVENUE

1 IN THE SENATE

2 SENATE BILL NO. 304

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 NINTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act making a special appropriation to the Depart-
7 ment of Revenue, computerized corporate income tax
8 data base; and providing for an effective date."

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

10 * Section 1. The sum of \$30,000 is appropriated from the general fund to
11 the Department of Revenue to establish and implement a computerized corporate
12 income tax data base to provide information for analysis and study by the
13 legislature, the University of Alaska, and the department.

14 * Sec. 2. The unexpended and unobligated portion of this appropriation
15 lapses into the general fund June 30, 1976.

16 * Sec. 3. This Act takes effect immediately in accordance with AS 01.10.-
17 070(c).

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The Legislature of the State of Alaska
FISCAL NOTE

First Session - Ninth Legislature

Master file

I. REQUEST
 Bill No. SB 304
 Title: Special Appropriation to Department of Revenue
 Requested by: _____ Date: 3/26/75
 Return Date Requested: _____
 Agency: Revenue Program: Administration and Support

II. FISCAL DETAIL
 Budget Request Unit(s) Affected: Administration and Support

A. EXPENDITURES: (Thousands of dollars)

OBJECT	FY 75	FY 76	FY 77	FY 78	FY 79	FY 80
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL	10.0	20.0				
400 COMMODITIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC.						
TOTAL	10.0	20.0				

B. FUNDING: (Thousands of dollars)

GENERAL FUND	10.0	20.0				
FEDERAL FUNDS						
OTHER						

C. POSITIONS:

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

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

See letter to Senators Huber and Representative Cowper dated March 18, 1975, memo to Randolph Berry dated December 9, 1974, and letter to Jay Hogan dated March 13, 1974, all of which are attached.

IV. ATTACHMENTS

V. DATE: March 26, 1975

PREPARED BY:

Frederick P. Boetsch

Frederick P. Boetsch, CPA
 Deputy Commissioner for Taxation

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

Introduced: 3/24/75
Referred: Finance

BY THE RULES COMMITTEE BY
REQUEST OF THE SPECIAL COMMITTEE
ON TAXATION AND REVENUE

1 IN THE SENATE

2 SENATE BILL NO. 304

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 NINTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act making a special appropriation to the Depart-
7 ment of Revenue, computerized corporate income tax
8 data base; and providing for an effective date."

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

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11 the Department of Revenue to establish and implement a computerized corporate
12 income tax data base to provide information for analysis and study by the
13 legislature, the University of Alaska, and the department.

14 * Sec. 2. The unexpended and unobligated portion of this appropriation
15 lapses into the general fund June 30, 1976.

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17 070(c).

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March 18, 1975

The Honorable John Huber
Alaska State Senate
State Capitol
Juneau, Alaska 99801

Dear Senator Huber:

It is my understanding that you are interested in developing a data base for the study of state corporate income taxes. For your information, HCR 78 which passed last year provided for such a study. In response to that I sent a letter dated March 13, 1974 to Jay Hogan and a memorandum dated December 9, 1974 to Randolph Berry outlining the proposed means of capturing the necessary data in computer-readable form for such a study to take place. I will only emphasize here that a computerized data base is absolutely essential before any comprehensive study of the corporate income tax structure can be made. You will note that the amount of money requested between the two memorandums decreased. This is due to two factors: 1) the installation within the Department of Revenue of some Singer 1500 data capturing devices and 2) the implementation of the Federal CETA program for unemployed individuals whereby we can get the personal services of individuals paid for by Federal funds.

I still think that an on-going cost of \$18,000 to \$20,000 per year is certainly reasonable in view of the potential impact of having this data in a computerized form for more detailed analysis by our own staff as well as economists from the University of Alaska or staff analysts from the Legislature. In order to get the program off the ground an appropriation of about \$10,000 for the current fiscal year would allow us to commence the programming work necessary and an appropriation in FY 1976 of about \$20,000 would complete that programming and allow us to capture all corporate data for the last three years. An inter-agency agreement between us and the Legislative Council could also be used to provide the necessary funds. In fact, it was our understanding that this is the way the matter would be handled and therefore we did not seek an appropriation in our normal operating budget.

I am enclosing copies of my memorandum to Mr. Berry and my letter to Mr. Hogan of last year which I believe include all the pertinent information. I would be happy to discuss this matter with you, your staff and your fellow legislators at your convenience.

Best regards,

Frederick P. Boetsch, C.P.A.
Deputy Commissioner, Taxation

cc: Dr. Charles L. Schroth
Research Supervisor
Department of Revenue

March 18, 1975

The Honorable Steve Cowper
Alaska State House of Representatives
State Capitol
Juneau, Alaska 99801

Dear Mr. Cowper:

It is my understanding that you are interested in developing a data base for the study of state corporate income taxes. For your information, HCR 78 which passed last year provided for such a study. In response to that I sent a letter dated March 13, 1974 to Jay Hogan and a memorandum dated December 9, 1974 to Randolph Berry outlining the proposed means of capturing the necessary data in computer-readable form for such a study to take place. I will only emphasize here that a computerized data base is absolutely essential before any comprehensive study of the corporate income tax structure can be made. You will note that the amount of money requested between the two memorandums decreased. This is due to two factors: 1) the installation within the Department of Revenue of some Singer 1500 data capturing devices and 2) the implementation of the Federal CETA program for unemployed individuals whereby we can get the personal services of individuals paid for by Federal funds.

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I am enclosing copies of my memorandum to Mr. Berry and my letter to Mr. Hogan of last year which I believe include all the pertinent information. I would be happy to discuss this matter with you, your staff and your fellow legislators at your convenience.

Best regards,

Frederick P. Boetsch, C.P.A.
Deputy Commissioner, Taxation

cc: Dr. Charles L. Schroth
Research Supervisor
Department of Revenue

MEMORANDUM

State of Alaska

TO: Randolph Berry
Reviser of Statutes
Legislative Affairs Agency
State Capitol, Room 111

DATE: December 9, 1974

FILE NO:

TELEPHONE NO:

FROM: Frederick P. Boetsch,
Director
Audit Division

SUBJECT: Corporate Income Tax Study

We had previously discussed and agreed that the corporate income tax study could be done in-house and that it would be more desirable to do it that way than to hire a consultant since this type of study requires an on-going program of data gathering, analysis, and review. The data gathering function is, of course, fundamental to any type of intelligent analysis of income tax or any other tax, its revenue producing capabilities, and its incidence on the taxpayers upon whom it is assessed. There are a number of questions that should be asked on a continuing basis every year and over a period of years. It would also be desirable to be able to pose hypothetical questions regarding the elimination or modification of certain tax provisions.

We propose that an initial data capture be made from existing corporation tax returns which would provide us with all of the major categories of information that would be needed to answer many types of questions that have been or could be asked about the Alaska Corporation Net Income Tax. While there are some initial start up costs to provide the basic format and programming for capturing this data, on-going expenses would be, we feel, rather minimal.

The data to be captured would consist of all of the information on the Alaska Corporation Income Tax Return, page two, which indicates identifying data, type of filing and the calculation of the tax on lines one through eighteen. The data indicated on the apportionment schedule, page 3 items one through five, columns A, B, and A divided by B and page one of the Federal form 1120, lines one through 28, which is included as a part of filing of the Alaska Corporation and Income Tax Return. Capturing this data on computer tape would give us the ability to answer most of the questions to be asked about the corporations such as the amount of tax paid by industry, the amount of depreciation or depletion allowance by industry or by zip code, the total sales, the amount of income apportioned to Alaska for Multistate corporations doing business in the State, etc.

The initial cost of setting up the data capturing and analysis would run about \$25,000, this is for data capturing devices, tapes, IBM computer time and programmers. Approximately \$7,000 of that amount is devoted to programming, most of which would be for the initial set up. On an on-going basis, the cost of maintaining the system and continuing the data capture device would run about \$18,000 to \$20,000 a year. Obviously, this is a very minor cost compared with the real necessity to have accurate information upon which to make decisions regarding possible tax law changes which could have the effect of several millions of dollars on the State treasury. Without good data it is difficult, if not impossible, to make intelligent decisions and rational choices among various tax alternatives.

Randolph Berry

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December 9, 1974

I hope that this program would be the pilot program for an effort to subject all of our tax programs to this type of analysis based on comprehensive and accurate information.

FPB/bjm

cc: Charles Schroth
Research Analyst
Excise Tax Division

March 13, 1974

Jay Hogan, Director
Division of Legislative
Finance
Room 425, State Capitol
Pouch W
Juneau, AK 99801

Dear Mr. Hogan:

You have asked for comments on a proposed study of the corporate income tax structure and estimates of the cost of conducting such a study which would be incurred by the Department of Revenue as a result of its participation in the study.

First, I think that the idea of conducting such a study is excellent. As you know, our corporate and individual income taxes are tied into the federal tax structure. The theory behind such tie-in is to minimize the administrative problems involved in administering the tax act by relying on federal regulations, rulings, administrative decisions and court cases. In theory, this is a fine system. However, in practice, we often find that the tax policies pursued by Congress at the national level are sometimes inconsistent with or, in fact, even detrimental to policies which should be followed by the State. This is particularly true in the case of Alaska where we find an under-developed resource-based economy in contrast to the highly sophisticated, technological manufacturing and distributing economy of the United States as a whole. It is not surprising then, since taxes are often used by Congress as a fiscal and social tool, to find that the policies pursued by Congress when using this tool do not follow policies desirable for the State.

It is the responsibility of the State, therefore, to review such a system on a regular basis and to ascertain, where changes have taken place in the Federal Tax Code, whether those changes are desirable from the State's viewpoint. Furthermore, where economic conditions within the State have changed, it is also necessary to review the federal tax policies to see if they are consistent with the changes in the State's economy and with the goals of the State. In itself, this seems to me a sufficient basis for an on-going analysis of the State's economy in relationship to the tax structure in order to make intelligent, positive decisions about whether the system is in fact meeting the goals and objectives of State policy. I think that the corporate income tax area is probably a good place to start since, according to our figures, compliance in this area is probably more of a problem than in many of our other tax types.

March 13, 1974

As I understand the proposal, people from our department and your department would work together with a legislative committee to perform the basic study and analysis of the existing system and make recommendations on how it should be changed. These proposals would be the subject then of public hearings to be held around the State where we could, at that time, receive input from the public in general and from particular interested groups, such as the chambers of commerce and other businessmen. This approach, I think, is a good one since there is a great deal of disillusionment among the general public on the fairness of our taxing systems. Particular notariety has recently been paid to the large corporations and wealthy individuals who, in the mind of the public, aren't paying their fair share of the tax. Although it may be difficult to distill some of the complexities of the income tax system to a point where they can be publicly debated and discussed, I think this attempt should be made and that the public should be brought into the discussion at an early stage and as fully as possible. By receiving all of this input and coming up with some kind of legislation which has in it contributions from each of these sources, we have I think the best opportunity to develop a corporate structure that will be publicly acceptable and will accomplish the revenue raising and equity objectives that we might have.

At the outset, of course, we should realize that there are certain restraints on our ability to tax corporate net income. I won't go into all the technicalities at this point, since I believe that that should be the subject of initial meetings on this study. Suffice it to say that there is federal overriding legislation which places limitations on a state's jurisdictional reach to impose a corporate income tax and there is legislation pending in Congress at this time which would go further in the area of taxation of interstate businesses. Furthermore, the Multistate Tax Compact, of which we are a member, and which seeks to develop a uniform means of taxation by cooperative effort among the states, is being sued by the United States Steel Corporation and others in the Federal court in the Southern District of New York. The plaintives seek to have the Commission disbanded on the grounds that it constitutes a compact in violation of the provisions of the U.S. Constitution which requires that compacts among states be approved by Congress. At this point in time, Congress has not acted at all in this area. Our attorney believes that the non-action of Congress implies consent since many agreements do exist between and among states that have not had Congress's official blessing. In these instances, and in our particular case, the compacts do not usurp any authority of Congress or pretend to. At any time Congress could override any of these compacts or agreements by taking positive action on it. However, we are in the situation now where we have to defend ourselves in this lawsuit.

The cost of the proposed study from the Department of Revenue's standpoint is, I think, relatively minor. We do have a research analyst in the Department at the present time who has been doing a great deal of work in putting together various types of data bases and in doing some analytical work for us in various areas. He is in the process now of hiring an assistant to help him in setting up the analytical framework. The next

thing we need to do, is develop a data base on Corporate Income Tax returns by pulling off a great deal of information from the returns. Due to the many different ways in which returns are filed with us, it is really impossible for us to merely send a return to a key punch operator and expect her to accurately abstract the correct information. Furthermore, some of these corporate returns are hundreds of pages long. Therefore, the returns themselves must be analyzed and the pertinent data abstracted by individuals who are familiar with the corporate tax returns. We envision at this time, that that information could be abstracted and placed on some sort of data coding sheets which would then be keypunched and entered into a data processing system. In order to give us a reasonable data base, it would probably be necessary to abstract this information from all of our returns for the last three years. This would involve the detailed analysis of some ten thousand corporate returns and the abstraction of pertinent data onto the coding sheets. I estimate that it would take four people about four months to pull off all of this information. I think that this work could be handled by clerical personnel on a temporary basis if they were under proper supervision. Personal Services costs therefore would run about twelve thousand dollars for these people. In addition, we would need funds for systems analysis work to set up the data processing system for capturing and recording the data and analyzing it in a meaningful manner. Also we would need programming work and keypunch. After consulting with our research analyst, we have decided that such work would probably involve no more than \$25,000 to \$30,000 in Contractual Services funds to do the necessary analysis, programming, keypunch, computer time, etc. Therefore, I think we can safely place the cost to the Department of Revenue of this program at between \$37,000 and \$42,000.

Once we have all of the pertinent data, entered into the computer file and the ability to analyze this data in several different ways, we can proceed to see what the effects of various changes in the corporate tax law might be in terms of the revenues produced and the distribution of the tax burden. I know that there are economists at the University of Alaska and I believe in the Department of Economic Development who would not only be very helpful to us in this endeavor, but who are probably eager to get into such a data base and subject it to various analytical tools that they have at their command. It is conceivable that such information could be run through existing economic models of the State of Alaska in order to determine the effects of a changing corporate tax structure on the economy and on State revenues. I think that these avenues of research should be explored in the formative stages of this study.

As I stated earlier, this study should probably be viewed as a pilot study. While it is certainly involved in an area that is very critical in terms of overall state tax policy and revenues, there is no doubt in my mind that other tax areas need to be studied in a similar manner. Certainly the individual income tax which is also tied to the federal code, the gross business tax, the fish taxes, the school tax, the whole range of excise taxes and so forth should be reviewed on an ongoing basis. This study could certainly be very beneficial to the state in setting up a research

Jay Hogan, Director

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March 13, 1974

methodology by which we can conduct such ongoing studies of our state tax structure and develop a taxing system that is responsive to the changes in our economy and our society.

I very greatly appreciate the interest that the legislature has shown in this project and will be very happy to contribute to its success in any way that I can.

Best regards,

Frederick P. Boetsch, CPA
Director
Audit Division

FPB:jf

STATE OF ALASKA

DEPARTMENT OF REVENUE

JAY S. HAMMOND, GOVERNOR

POUCH S A - JUNEAU 99811

April 2, 1975

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

Dear Senator Ray:

re House Bill No. 304

House Bill No. 304, an Act relating to borrowing in anticipation of revenues was introduced in the Senate on April 3, 1975 and was referred to the Senate Finance Committee.

At the request of Jim Fennel, I am enclosing a copy of a letter dated March 25, 1975 from Lawrence Eppenbach, Deputy Commissioner, Treasury Division, Department of Revenue to the Honorable Hugh Malone, Chairman, House Finance Committee, Alaska State Legislature concerning the subject legislation.

The interest rate of not to exceed five percent a year for the issuance revenue anticipation notes presently in the statutes was pursuant to the provisions of Chapter 53, SLA 1964 at which period of time interest rates on short term financing were considerably lower than five percent.

For your information, the only sale of revenue anticipation notes was held in October of 1965 when \$10,000,000 of notes were sold with a maturity date of June 15, 1966. Three bids were received at public sale with interest rates then of 2.83%; 2.89% and 3.00%.

The proposed remedial legislation is needed to meet current or later market conditions that do or may exist in the event the State were to issue revenue anticipation notes as a possible financial option in order to adjust the cash flow in any given fiscal year.

Honorable Bill Ray

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April 2, 1975

The operating expenses of the State flow on a monthly basis while some major revenue sources if levied on an annual basis can cause temporary in balances of cash flow in the State Treasury.

If you or any of the members of the Senate Finance Committee have any questions on the material submitted, please call the writer at 465-2397 and I will contact Mr. Lawrence Eppenbach, Deputy Commissioner, Department of Revenue for further material or testimony.

Very truly yours,



R. D. Stevenson
Special Assistant

RDS:sp
Enclosures

cc Lawrence Eppenbach
Deputy Commissioner of Treasury
Department of Revenue

STATE OF ALASKA

DEPARTMENT OF REVENUE

OFFICE OF THE COMMISSIONER

JAY S. HAMMOND, Governor

POUCH S - JUNEAU 99801

March 25, 1975

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

Dear Mr. Malone:

There are no fiscal effects in House Bill 304 that can be reasonably estimated.

This measure removes the interest rate ceiling on revenue anticipation note borrowings. Such borrowing would only be used in a situation where it was imperative to adjust in the year revenue flows to meet expenditures. It is not possible to forecast the use of such borrowings nor the interference if any, of the ceiling. The removal of the ceiling is a precautionary move in the event interest rates move higher from the present levels.

No additional personnel or other items causing expenses would be required to implement House Bill 304. Interest payments for these notes, if any, would be funded by the State annual debt service appropriation.

Very truly yours,

Lawrence Eppenbach
Deputy Commissioner, Treasury

LE:eh

cc: Commissioner Sterling Gallagher
Department of Revenue

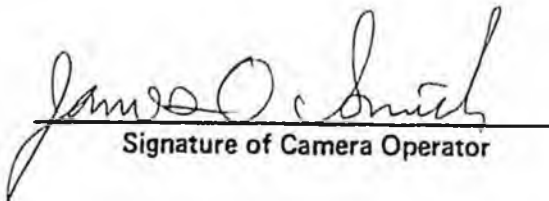
R. D. Stevenson ✓
Special Assistant

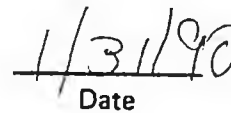


RECORDS CERTIFICATION



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


Signature of Camera Operator


Date

"An Act relating to the legal maximum amount of assistance to families under Aid to Families with Dependent Children."

COMMITTEE REPORT

5/3/75

HOUSE

Mr. Speaker:

Date May 29 1975

The Committee on FINANCE has had SF 309 an

under consideration. A Majority of the members of the Committee

recommends it DO PASS

recommends it DO NOT PASS

recommends it DO PASS WITH ATTACHED AMENDMENT(S)

recommends it BE REPLACED WITH CS FOR _____ AND THAT

CS FOR _____ DO PASS

"and" recommends it BE REFERRED TO THE _____

COMMITTEE

reports it back WITHOUT RECOMMENDATION

"other"

Members signing the Majority report:

<u>T. Buchholz</u>	<u>[Signature]</u>	_____
<u>[Signature]</u>	<u>[Signature]</u>	_____
<u>[Signature]</u>		_____
<u>[Signature]</u>		_____

Members NOT concurring in the Majority report:

_____ recommends:

_____ recommends:

_____ recommends:

_____ recommends:

_____ recommends:

T. Buchholz Vice Chairman

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

1 IN THE SENATE

BY THE RULES COMMITTEE BY
REQUEST OF THE GOVERNOR

2 SENATE BILL NO. 309 am

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 NINTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act relating to the legal maximum amount of
7 assistance to families under Aid to Families with
8 Dependent Children."

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

10 * Section 1. AS 47.25.320(a)(2)(A) is amended to read:

11 (A) for a parent and one child under 18 [13], a maximum
12 of \$300 [\$250];

13 * Sec. 2. AS 47.25.320(a)(2)(B) is repealed.
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Introduced: 3/24/75
Referred: Health, Education
and Social Services and
Finance

1 IN THE SENATE

BY THE RULES COMMITTEE BY
REQUEST OF THE GOVERNOR

2 SENATE BILL NO. 309

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 NINTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act relating to the legal maximum amount of
7 assistance to families under Aid to Families with
8 Dependent Children."

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

10 * Section 1. AS 47.25.320(a)(2)(A) is amended to read:

11 (A) for a parent and one child under 18 [13], a maximum
12 of \$300 [\$250];

13 * Sec. 2. AS 47.25.320(a)(2)(C) is amended to read:

14 (C) for each additional child under age 18, \$50 a
15 month per child [, UP TO A MAXIMUM OF \$520 A MONTH].

16 * Sec. 3. AS 47.25.320(a)(2)(B) is repealed.
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POSITION PAPER
ON
SENATE BILL 309

An act relating to the legal maximum amount of assistance to families under Aid to Families with Dependent Children.

This bill was introduced at the request of the Governor to correct legislation passed last year which changed the legal maximum payment amounts effective July 1, 1974 in the Aid to Families with Dependent Children (AFDC) Program. Corrective action is necessary because of a compliance issue the Federal Social and Rehabilitation Service (SRS) has issued the State concerning the maximum payment amounts.

At issue is the different maximum amounts the State pays to two person families which include one adult and one child. At present, the State pays an adult and (1) child the maximum amount of \$250 per month when the child is under the age of 13, and \$300 per month when the child is age 13 through 18. Also at present, the State pays up to \$300 per month where two children, regardless of age, are living with an adult whose needs are not included in the AFDC payment.

The Federal government has taken exception to these conflicting payment levels and contends that payment differentials based on age present an unreasonable classification. In order to continue collecting full Federal Financial Participation in the AFDC program, the maximum AFDC payment amounts must be consistent for all groupings of two eligible persons, be it an adult and 1 child, or no adult and 2 children. Thus, the State has the options of 1) lowering the payment of \$250 or 2) raising it to \$300 for all two person AFDC families.

Section 1 of Senate Bill 309 proposing to amend AS 47.25.320 (a) (2) (A), would satisfy the compliance issue by increasing the legal maximum payment to \$300 for all two person AFDC families.

Approximately 1,000 persons per month will be included in the group covered by the compliance issue. FY76 costs are thus calculated as follows:

1. If payment levels are increased to \$300 per month:

$$1,000 \times \$50 \times 12 = \underline{\$600,000}$$

This amount is not included in the FY76 budget request.

2. If payment levels are decreased to \$250 per month:

$$1,000 \times \$50 \times 12 = (\$600,000)$$

This amount could be subtracted from the FY76 request.

Section 2 of this bill proposing to amend AS 47.25.320 (a) (2) (c), is no longer necessary and should be deleted. At one time the upper limit legal maximum payment of \$520 for any family, regardless of size, was also a compliance issue. However, this issue has since been resolved and the corrective legislation sought in Senate Bill 309 is no longer required.

Section 3 of this bill proposing to remove AS 47.250 (a) (2) (B) from the Alaska Statutes, should be retained. If Section 1 of Senate Bill 309 is passed, AS 47.250 (a) (2) (B) becomes redundant and is no longer necessary in the statutes.

Departmental Recommendations

1. Recommend the passage of Section 1 of Senate Bill 309.
2. Recommend that Senate Bill 309 be amended to remove Section 2 of the bill. Section 2 is no longer necessary.
3. Recommend the passage of Section 3 of Senate Bill 309.

\$600,000 needed to cover costs of bill is not included in FY76 Budget request. If bill is passed, recommend funds be appropriated to cover new costs.

Recommended by: *William L. ...* *4-11-75*
(Acting Director) (Date)

Approved by: *Francis R. Williamson* *4/14/75*
(Commissioner) (Date)

Comments by Governor's Office

By: _____ (Date)

SB 309

March 24, 1975

The Honorable Chancy Croft
President of the Senate
Alaska State Legislature
Juneau, Alaska 99611

Dear Mr. President:

In accordance with AS 24.30.060(b) and the Uniform Rules of the Alaska State Legislature, I am transmitting a bill to amend AS 47.25.320, which provides for the amount of assistance under the "Aid to Families with Dependent Children Act". This will change subparagraph (a)(2)(A) by raising the maximum amount of assistance for a parent and one child under 13 from \$250 to \$300 and, since a parent and one child age 13 to 18 already may receive up to \$300, section 1 of the bill changes "13" to read "18" and section 3 repeals the present 13 to 18 category. In addition, section 2 of the bill amends AS 47.25.320(a)(2)(C) by deleting the phrase "up to a maximum of \$520 a month" from the provision granting up to \$50 per month for each additional child under 16 living with a parent. The federal administrators of the AFDC program maintain that our present statutory arrangement in AS 47.25.320 is inequitable and that Alaska is therefore not in compliance with the Social Security Act. This bill will remove that compliance issue.

Sincerely,

Jay S. Hammond
Governor

The Legislature of the State of Alaska

FISCAL NOTE

First Session - Ninth Legislature

I. REQUEST

Bill No. Senate Bill 300
 Title: An act relating to local maximum payments in AFDC
 Requested by: Senator Croft Date: April 11, 1975
 Return Date Requested: _____
 Agency: Health and Social Services Program: Social Services-Assistance Pay

II. FISCAL DETAIL

Budget Request Unit(s) Affected: Assistance Payments

A. EXPENDITURES: (Thousands of dollars)

OBJECT	FY 75	FY 76	FY 77	FY 78	FY 79	20
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL						
400 COMMODITIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC.		600.0	650.0	661.5	694.6	729.0
TOTAL		600.0	650.0	661.5	694.6	729.0

B. FUNDING: (Thousands of dollars)

GENERAL FUND		300.0	315.0	330.0	347.3	364.0
FEDERAL FUNDS		300.0	315.0	330.0	347.3	364.0
OTHER						

C. POSITIONS:

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

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

Estimate 1000 recipients will be eligible for \$50 per month additional AFDC benefits.

$$1000 \times \$50 \times 12 = \$600,000$$

All expenditures covered by 50% Federal Funds.

IV. ATTACHMENTS

V. DATE: 4/11/75 PREPARED BY: [Signature]

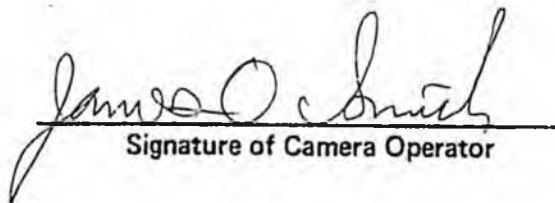
Original: Legislative Finance
 Budget and Management
 cc: Prime Sponsor (First Legislator Named)

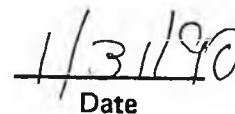


RECORDS CERTIFICATION



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


Signature of Camera Operator


Date

COMMITTEE REPORT

SENATE

4/25/77

Mr. President:

Date _____

The Committee on FINANCE has had SP 309
legal maximum amount of assistance to families under Aid of Families with
under consideration. A Majority of the members of the Committee Dependent
children

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

Members signing the Majority report:

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

Members NOT concurring in the Majority report:

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

_____ Chairman

COMMITTEE REPORT

SENATE

4/22/75

Mr. President:

Date _____

The Committee on FINANCE has had SB 309 legal maximum amount of assistance to families under Aid of Families with under consideration. A Majority of the members of the Committee Dependent children

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

Members signing the Majority report:

<u>Will Kay</u>	<u>Hoburn</u>	_____
<u>Wm. Bradford</u>	<u>James Chance</u>	_____
_____	_____	_____
_____	_____	_____

Members NOT concurring in the Majority report:

_____ recommends:

_____ recommends:

_____ recommends:

_____ recommends:

_____ recommends:

Will Kay Chairman

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

1 IN THE SENATE

BY THE RULES COMMITTEE BY
REQUEST OF THE GOVERNOR

2 SENATE BILL NO. 309

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 NINTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act relating to the legal maximum amount of
7 assistance to families under Aid to Families with
8 Dependent Children."

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

10 * Section 1. AS 47.25.320(a)(2)(A) is amended to read:

11 (A) for a parent and one child under 18 [13], a maximum
12 of \$300 [\$250];

13 * Sec. 2. AS 47.25.320(a)(2)(C) is amended to read:

14 (C) for each additional child under age 18, \$50 a
15 month per child [, UP TO A MAXIMUM OF \$520 A MONTH].

16 * Sec. 3. AS 47.25.320(a)(2)(B) is repealed.
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Introduced: 3/24/75
Referred: Health, Education
and Social Services and
Finance

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BY THE RULES COMMITTEE BY
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14 (C) for each additional child under age 18, \$50 a
15 month per child [, UP TO A MAXIMUM OF \$520 A MONTH].

16 * Sec. 3. AS 47.25.320(a)(2)(B) is repealed.
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The Legislature of the State of Alaska
FISCAL NOTE

First Session - Ninth Legislature

I. REQUEST

Bill No. Senate Bill 300
 Title: An act relating to legal maximum payments in AFDC
 Requested by: Senator Croft Date: April 14, 1975
 Return Date Requested: _____
 Agency: Health and Social Services Program: Social Services-Assistance Payments

II. FISCAL DETAIL

Budget Request Unit(s) Affected: Assistance Payments

A. EXPENDITURES: (Thousands of dollars)

OBJECT	FY 75	FY 76	FY 77	FY 78	FY 79	FY 80
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL						
400 COMMODITIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC.		600.0	630.0	661.5	694.6	729.3
TOTAL		600.0	630.0	661.5	694.6	729.3

B. FUNDING: (Thousands of dollars)

GENERAL FUND		300.0	315.0	330.7	347.3	364.6
FEDERAL FUNDS		300.0	315.0	330.8	347.3	364.7
OTHER						

C. POSITIONS:

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

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

Estimate 1000 recipients will be eligible for \$50 per month additional AFDC benefits.

$$1000 \times \$50 \times 12 = \$600.0$$

All expenditures matched by 50% Federal Funds.

IV. ATTACHMENTS

V. DATE: 4/14/75 PREPARED BY: [Signature]

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

POSITION PAPER
ON
SENATE BILL 309

An act relating to the legal maximum amount of assistance to families under Aid to Families with Dependent Children.

This bill was introduced at the request of the Governor to correct legislation passed last year which changed the legal maximum payment amounts effective July 1, 1974 in the Aid to Families with Dependent Children (AFDC) Program. Corrective action is necessary because of a compliance issue the Federal Social and Rehabilitation Service (SRS) has issued the State concerning the maximum payment amounts.

At issue is the different maximum amounts the State pays to two person families which include one adult and one child. At present, the State pays an adult and (1) child the maximum amount of \$250 per month when the child is under the age of 13, and \$300 per month when the child is age 13 through 18. Also at present, the State pays up to \$300 per month where two children, regardless of age, are living with an adult whose needs are not included in the AFDC payment.

The Federal government has taken exception to these conflicting payment levels and contends that payment differentials based on age present an unreasonable classification. In order to continue collecting full Federal Financial Participation in the AFDC program, the maximum AFDC payment amounts must be consistent for all groupings of two eligible persons, be it an adult and 1 child, or no adult and 2 children. Thus, the State has the options of 1) lowering the payment of \$250 or 2) raising it to \$300 for all two person AFDC families.

Section 1 of Senate Bill 309 proposing to amend AS 47.25.320 (a) (2) (A), would satisfy the compliance issue by increasing the legal maximum payment to \$300 for all two person AFDC families.

Approximately 1,000 persons per month will be included in the group covered by the compliance issue. FY76 costs are thus calculated as follows:

1. If payment levels are increased to \$300 per month:

$$1,000 \times \$50 \times 12 = \underline{\$600,000}$$

This amount is not included in the FY76 budget request.

2. If payment levels are decreased to \$250 per month:

$$1,000 \times \$50 \times 12 = (\$600,000)$$

This amount could be subtracted from the FY76 request.

Section 2 of this bill proposing to amend AS 47.25.320 (a) (2) (c), is no longer necessary and should be deleted. At one time the upper limit legal maximum payment of \$520 for any family, regardless of size, was also a compliance issue. However, this issue has since been resolved and the corrective legislation sought in Senate Bill 309 is no longer required.

Section 3 of this bill proposing to remove AS 47.250 (a) (2) (B) from the Alaska Statutes, should be retained. If Section 1 of Senate Bill 309 is passed, AS 47.250 (a) (2) (B) becomes redundant and is no longer necessary in the statutes.

Departmental Recommendations

1. Recommend the passage of Section 1 of Senate Bill 309.
2. Recommend that Senate Bill 309 be amended to remove Section 2 of the bill. Section 2 is no longer necessary.
3. Recommend the passage of Section 3 of Senate Bill 309.

\$600,000 needed to cover costs of bill is not included in FY76 Budget request. If bill is passed, recommend funds be appropriated to cover new costs.

Recommended by: Richard L. Borciak 4-11-75
(Acting Director) (Date)

Approved by: Francis S. Williamson 4/14/75
(Commissioner) (Date)

Comments by Governor's Office

By: _____ (Date)