

LEG. FINANCE - BILLS 1977 - 1978 669
SSSHB 143 cont., thru HB 152 669

1 (E) obtaining money or property by false pretenses under
2 AS 11.20.360;

3 (F) perjury or subordination of perjury under AS 11.30.-
4 010;

5 (G) bribery under AS 11.30.040 or accepting a bribe
6 under AS 11.30.050; or

7 (H) influencing witnesses, judges or jurors or obstruc-
8 ting the administration of justice under AS 11.30.320;

9 (2) the person who is the subject of the application has
10 refused or is likely to refuse to testify or provide other evidence or
11 information on the basis of his privilege against self-incrimination;
12 and

13 (3) all evidence, which the state may seek to introduce in a
14 criminal proceeding brought against a witness who is compelled to tes-
15 tify under this section, which relates to any transaction about which he
16 is compelled to testify, has been filed in sealed form in the superior
17 court.

18 (b) Whenever a witness refuses, on the basis of his privilege
19 against self-incrimination, to testify or provide other evidence or
20 information in a criminal proceeding or investigation before or ancil-
21 lary to a court or a grand jury of the State of Alaska and the person
22 presiding over the proceeding communicates to the witness an order
23 issued under (a) of this section, the witness may not refuse to comply
24 with the order and may not be excused from testifying or from providing
25 other evidence or information on the grounds that the testimony or other
26 evidence or information required of him may tend to incriminate him or
27 subject him to any penalty or forfeiture.

28 (c) No testimony or other evidence or information compelled under
29 (b) of this section which is responsive to an order issued under (a) of

1 this section, nor any evidence directly or indirectly derived from the
2 testimony or other evidence or information compelled, may be used in any
3 criminal proceeding brought against the witness nor may he be subjected
4 to any penalty or forfeiture for, or on account of, testimony or other
5 evidence of information compelled and responsive to the order, or any
6 evidence directly or indirectly derived from it; except that no witness
7 is immune or exempt under this subsection from prosecution, penalty, or
8 forfeiture for perjury, false swearing, giving a false statement, or
9 contempt committed while testifying or providing other evidence or
10 information, or failing or refusing to do so, under compulsion as pro-
11 vided in this section.

12 (d) Except in a prosecution authorized under (c) of this section,
13 only evidence filed with the superior court under (a)(3) of this section
14 may be admitted into evidence in any proceeding brought against a wit-
15 ness who has been compelled to testify or provide other evidence or
16 information.

17 (e) Before issuance of an order under (a) of this section, the
18 court shall require an assurance that necessary steps have been or will
19 be taken to provide the person who is the subject of the application and
20 members of his immediate family and household with adequate protection
21 from retribution, under sec. 150 of this chapter.

22 (f) No person other than the witness himself may question the
23 validity or otherwise challenge an order issued under (a) of this
24 section.

25 (g) For purposes of this section, "other evidence or information"
26 means any physical object, book, paper, document, record, recording, or
27 other material.

28 Sec. 12.50.140. WILFUL FAILURE OR REFUSAL TO COMPLY WITH AN ORDER
29 COMPELLING TESTIMONY OR OTHER EVIDENCE. (a) During the time it is

1 within the power of a witness to comply with an order issued under sec.
2 130(a) of this chapter, a wilful failure or refusal to comply, without a
3 lawful excuse for not complying, constitutes civil contempt. After
4 notice and a hearing before the court sitting without a jury at which
5 the witness is afforded an opportunity to show cause why he should not
6 be found in contempt, a witness who fails to establish a lawful excuse
7 for not complying and who persists in his failure or refusal to comply
8 shall be imprisoned until he complies or until it is no longer within
9 his power to comply.

10 (b) A person who has wilfully failed or refused to comply with an
11 order issued under sec. 130(a) of this chapter without a lawful excuse
12 for not complying, who has been found in contempt under (a) of this
13 section, who has been afforded a further opportunity to comply, and who
14 no longer has it within his power to comply, is guilty of criminal
15 contempt and upon conviction is punishable by imprisonment for a period
16 of not more than three years or by a fine of not more than \$10,000,
17 or by both.

18 ARTICLE 4. PROTECTION OF WITNESSES.

19 Sec. 12.50.150. AUTHORITY TO PROVIDE FOR PROTECTION OF WITNESSES.

20 (a) The attorney general, in cooperation with the commissioner of
21 public safety, is authorized to provide for the general safety and
22 security of a witness in a criminal proceeding or investigation and
23 members of the witness' immediate family and household whenever, in the
24 attorney general's judgment, testimony from, or a willingness to testify
25 by, such a witness would place the witness' life or person, or the life
26 or person of a member of his family or household, in jeopardy.

27 (b) The authority under (a) of this section includes, but is not
28 limited to, the authority to rent, purchase, modify, or remodel pro-
29 tected housing facilities and to otherwise offer to provide for the

1 health, safety and welfare of witnesses and persons intended to be
2 called as witnesses, and members of their immediate families and house-
3 holds.

4 (c) Any person availing himself of an offer of protection under
5 this section may do so for as long as the attorney general determines
6 the jeopardy to the witness' life or person or that of his family or
7 household continues, subject to the conditions and restrictions that may
8 from time to time be required.

9 (d) In this section, "witness" includes a potential witness.

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

THE LEGISLATURE OF THE STATE OF ALASKA
TENTH LEGISLATURE

FISCAL NOTE

I. REQUEST

Bill/Resolution No. HB 143

Title An Act relating to witnesses; and providing for an effective date."

Requested by The Governor

Date 3-21-77

II. FISCAL DETAIL

Agency Affected Department of Law

Program Category Affected Administration of Justice

Budget Request Unit(s) Affected Prosecution, admin. & Support

EXPENDITURES (Thousands of Dollars)

	FY 77	FY 78	FY 79	FY 80	FY 81	FY 82
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL		25.0	26.5	28.1	29.8	31.6
400 COMMODITIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC.						
TOTAL		25.0	26.5	28.1	29.8	31.6

FUNDING (Thousands of Dollars)

	FY 77	FY 78	FY 79	FY 80	FY 81	FY 82
GENERAL FUND		25.0	26.5	28.1	29.8	31.6
FEDERAL FUNDS						
OTHER (Specify)						

POSITIONS

	FY 77	FY 78	FY 79	FY 80	FY 81	FY 82
FULL TIME		Ø	Ø	Ø	Ø	Ø
PART TIME						
TEMPORARY						

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

Granting of immunity as proposed by Article 3 will have little, if any, financial impact and any changes which might occur therefrom would be slight. The proposed Article 4 will cause a financial impact estimated at \$25,000 for the first year. This figure represents a minimum amount necessary for short-term, two or three week periods, when witnesses would be placed in safe housing. Obviously, there will years when this amount will be insufficient and, likewise, there will be years when much if not all of the appropriation will lapse. Ongoing costs have been projected using a 6% inflation factor. A companion bill requesting a special appropriation for implementing the purposes of this bill is also being introduced.

IV. DATE March 21, 1977

PREPARED BY Richard L. Reques, Admin. Officer

AGENCY Department of Law

PHONE 465-3695

Original: Legislative Finance

cc: Budget and Management

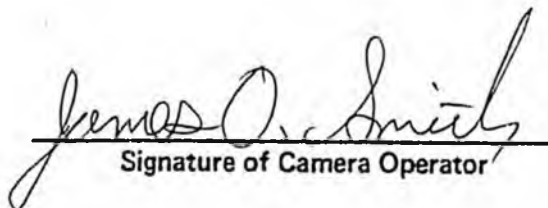
Prime Sponsor (First Legislator Named)

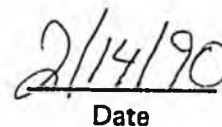


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Signature of Camera Operator


Date

"An Act concerning the oil and gas properties production tax; effective date."

COMMITTEE REPORT

4/5/77

HOUSE

_____ Date

Mr. Speaker:

The Committee on FINANCE has had HB 144

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

AND attaches a report of its intent

(other) _____

MEMBERS SIGNING THE MAJORITY REPORT:

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

MEMBERS NOT CONCURRING IN THE MAJORITY REPORT:

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

_____ Chairman

COMMITTEE REPORT

1-31-77

HOUSE

FINANCE

4/1/77

Date

Mr. Speaker:

The Committee on RESOURCES has had HB 144 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
- AND attaches a report of its intent
- (other) _____

MEMBERS SIGNING THE MAJORITY REPORT:

Malone - Dobson do pass

Mark S. Sander DO PASS

Smith do pass

W. D. [Signature] DO PASS

Alvin Osterback do pass

MEMBERS NOT CONCURRING IN THE MAJORITY REPORT:

Sen Bennett recommends: No Recommendation

[Signature] recommends: " "

[Signature] recommends: " "

Wm. H. Kero recommends: " "

Alvin Osterback
Chairman

Introduced: 1/31/77
Referred: Resources and Finance

BY THE RULES COMMITTEE BY
REQUEST OF THE LEGISLATIVE
COUNCIL (for the Subcommittee
on Oil and Gas Leasing and
Taxing Policies)

3202
Latham

1 IN THE HOUSE

2 HOUSE BILL NO. 144

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 TENTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act concerning the oil and gas properties pro-
7 duction tax; and providing for an effective date."

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

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

10 (a) There is levied upon the producer of oil or gas a tax based
11 upon a per cent of the gross value at the point of production [AT THE
12 WELL] of all oil or gas produced [REMOVED OR SOLD] from each lease or
13 property in the state, less the value of any part the ownership or right
14 to which is exempt from taxation. The tax is determined according to
15 the following schedules, and any part which is exempt from taxation is
16 deducted from the tax levied on a pro rata basis as to each production
17 level tax bracket:

18 (1) oil: based upon the total production from each lease or
19 property [AVERAGE DAILY PRODUCTION FOR EACH WELL] for the calendar month
20 in barrels, the tax is

21 (A) zero [FIVE] per cent on the first 100 [300] barrels
22 of average daily per well production;

23 (B) four [SIX] per cent on the next 200 [700] barrels of
24 average daily per well production;

25 (C) six [EIGHT] per cent on the next 700 [ALL PRODUCTION
26 IN EXCESS OF 1,000] barrels of average daily per well production;

27 (D) nine per cent on the next 500 barrels of average
28 daily per well production;

29 (E) eleven per cent on the next 2,000 barrels of average

1 daily per well production;

2 (F) fourteen per cent on all production in excess of
3 3,500 barrels of average daily per well production;

4 (2) gas: the tax is four per cent of the gross value at the
5 point of production of the gas and liquid products produced each month.

6 * Sec. 2. AS 43.55.015(a) is amended to read:

7 (a) There is levied upon the producer of oil a tax on each barrel
8 of oil produced [REMOVED OR SOLD] from each lease or property in the
9 state less any part the ownership or right to which is exempt from
10 taxation. The tax is based upon the total production from each lease or
11 property [AVERAGE DAILY PRODUCTION FOR EACH WELL] for the calendar month
12 in barrels determined according to the following schedule and any part
13 which is exempt from taxation is deducted from the tax levied on a pro
14 rata basis as to each production level bracket:

15 (1) \$.0000 [\$.16875] on each of the first 100 [300] barrels
16 of average daily per well production;

17 (2) \$.1350 [\$.2025] on each of the next 200 [700] barrels of
18 average daily per well production;

19 (3) \$.2025 [\$.2700] on each of the next 700 [BARREL OF PRO-
20 DUCTION IN EXCESS OF 1,000] barrels of average daily per well production;

21 (4) \$.3038 on each of the next 500 barrels of average
22 daily per well production;

23 (5) \$.3713 on each of the next 2,000 barrels of average daily
24 per well production;

25 (6) \$.4725 on each barrel of production in excess of 3,500
26 barrels of average daily per well production.

27 * Sec. 3. AS 43.55.015(c) is amended to read:

28 (c) The tax rates set out in this section will be increased or
29 decreased by a percentage equal to the percentage of change in the

1 Wholesale Price Index for crude petroleum published by the Bureau of
2 Labor Statistics, of the United States Department of Labor. The year
3 1967 is the base year of 100 for computing the tax rates. Changes in
4 tax rates will be computed based on changes from the December, 1973
5 Wholesale Price Index published in January, 1974 [IN THE WHOLESale PRICE
6 INDEX OCCURRING AFTER JANUARY 1, 1974 AND WILL NOT INCLUDE CHANGES IN
7 THE WHOLESale PRICE INDEX PRIOR TO JANUARY 1, 1974]. The department
8 shall post the changes in the tax rates at least semi-annually and shall
9 notify every person producing oil within the state of the changes.

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

11 (a) The gross production tax on oil or gas shall be paid monthly.
12 The tax is due on the 20th day [LAST DAY] of each calendar month on oil
13 or gas produced [REMOVED OR SOLD] from each lease or property during the
14 preceding month. If the tax is not paid before the end of the month in
15 which it becomes due, the tax becomes delinquent.

16 * Sec. 5. AS 43.55.020(e) is repealed and re-enacted to read:

17 (e) Gas produced, except gas used in the operation of a lease or
18 property in drilling for or producing oil or gas, or for repressuring,
19 is considered, for the purpose of this chapter, as gas produced from a
20 lease or property. Gas flared under a permit granted by the Department
21 of Natural Resources under AS 31.05.170(11)(H) shall be considered as
22 gas produced, except that it shall pay a severance tax equal to five
23 times the severance tax in effect for that period in which the gas was
24 flared.

25 * Sec. 6. AS 43.55.030(a)(1) is amended to read:

26 (1) a description of the lease or property from which the oil
27 or gas was produced [REMOVED OR SOLD], by name, legal description,
28 lease number or by accounting code numbers assigned by the department;

29 * Sec. 7. AS 43.55.030(a)(3) is amended to read:

1 (3) the gross amount of oil or gas produced [REMOVED OR SOLD]
2 from the lease or property, and the percentage of the gross amount owned
3 by each producer for whom the tax is paid;

4 * Sec. 8. AS 43.55.030(a)(4) is amended to read:

5 (4) the total value of the oil or gas produced [REMOVED OR
6 SOLD] from the lease or property owned by each producer for whom the tax
7 is paid; and

8 * Sec. 9. AS 43.55.140 is amended by adding new paragraphs to read:

9 (12) "gross value at the point of production" means:

10 (A) for oil, the value of the oil at the point where it
11 is metered or measured (by automatic custody transfer meter, tank
12 gauge, or other method approved by the commissioner) in a condition
13 of pipeline quality on the premises of the lease or property from
14 which it is recovered; however, if the oil is not of pipeline
15 quality when it is removed from the premises of the lease or
16 property from which it is recovered, or if the oil recovered from a
17 lease or property is not metered or measured (by automatic custody
18 transfer meter, tank gauge, or other method approved by the com-
19 missioner) on the premises of the lease or property from which it
20 is recovered, then the gross value at the point of production is
21 the value of that oil at the off-premises location where the oil is
22 first metered or measured (by automatic custody transfer meter,
23 tank gauge, or other method approved by the commissioner) in a
24 condition of pipeline quality;

25 (B) for gas recovered from or in association with oil,
26 the value of the gas at the point where it is accurately metered or
27 measured after separation from the oil; for gas run through a
28 gas processing plant, the gross value at the point of production is
29 the full consideration received by the producer for the gas if sold

1 in an arm's length transaction or, in the absence of an arm's
2 length transaction, is the sum of the value of the liquids ex-
3 tracted from the gas at the plant and the value of the residue gas,
4 less a reasonable allowance for processing the gas at the plant and
5 for transporting the gas to the plant from the premises upon which
6 the oil production operation is conducted; and

7 (C) for gas not recovered from or in association with
8 oil, the value of the gas at the point where it is accurately
9 metered or measured or the value of the gas at the point of sale,
0 if any, on the premises of the lease or property from which the gas
1 is recovered, whichever is the higher value; for gas run through a
2 gas processing plant, the gross value at the point of production is
3 the full consideration received by the producer for the gas if sold
4 in an arm's length transaction or, in the absence of an arm's
5 length transaction, is the sum of the value of the liquids ex-
6 tracted from the gas at the plant and the value of the residue gas,
7 less a reasonable allowance for processing the gas at the plant and
8 for transporting the gas to the plant from the point where it was
9 accurately metered or measured;

0 (13) "oil production operation" means the operation by which
1 oil is recovered from a lease or property and rendered into oil of
2 pipeline quality, and includes any gathering done before the oil is
3 finally rendered into oil of pipeline quality;

4 (14) "pipeline quality" means good and marketable condition;

5 (15) "average daily per well production" means the amount
6 calculated by dividing the total number of barrels of oil produced from
7 each lease or property during the calendar month by the total number of
8 wells produced on the lease or property any time during the calendar
9 month and dividing that amount by the total number of days in the

1 calendar month.

2 * Sec. 10. AS 43.55.140(10) and (11) are repealed.

3 * Sec. 11. This Act takes effect July 1, 1977.

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ALASKA STATE LEGISLATURE

TENTH Legislature FIRST Session

HOUSE BILL NO. 144

By THE RULES COMMITTEE BY REQUEST OF THE LEGISLATIVE COUNCIL (FOR THE SUBCOMMITTEE ON OIL AND GAS LEASING AND TAXING POLICIES)

"An Act concerning the oil and gas properties production tax; and providing for an effective date."

Oil & gas production tax

Introduced in the House 1-31-1977.

HISTORY IN THE HOUSE

19 77

Jan. 31

Read first time and referred to Committee on Resources and Finance

Reported back with recommendation that

Read second time and

Read third time and

PASS Effective Date
Yeas Yeas
Nays Nays
Absent Absent
Excused Excused

Reconsideration
PASS Effective Date
Yeas Yeas
Nays Nays
Absent Absent
Excused Excused
Reported correctly engrossed
Signed by Speaker
Sent to Senate

CHIEF CLERK OF THE HOUSE

HISTORY IN THE SENATE

19

Read first time and referred to Committee on

Reported back with recommendation that

Read second time and

Read third time and

PASS Effective Date
Yeas Yeas
Nays Nays
Absent Absent
Excused Excused

Reconsideration
PASS Effective Date
Yeas Yeas
Nays Nays
Absent Absent
Excused Excused
Reported correctly engrossed
Signed by President
Returned to House

SECRETARY OF THE SENATE

HISTORY IN THE HOUSE

19

Received from Senate

Concurred in Senate amendment thus adopting:

Failed to concur in Senate amendment; asked Sen. to recede

Senate receded from amendment

Senate failed to recede from amendment

FCC appointed by House

FCC appointed by Senate

FCC adopted

To enrolling

Reported correctly enrolled

Sent to Governor

..... by Governor

Filed with Lt. Governor

Chapter No.

THE LEGISLATURE OF THE STATE OF ALASKA
TENTH LEGISLATURE

FISCAL NOTE

I. REQUEST

Bill/Resolution No. HB 144
Title Act concerning the oil and gas properties production tax
Requested by _____ Date _____

II. FISCAL DETAIL

Agency Affected _____ Revenue _____
Program Category Affected General Government - Fiscal Services
Budget Request Unit(s) Affected Petroleum Revenue

EXPENDITURES (Thousands of Dollars)

	FY 77	FY 78	FY 79	FY 80	FY 81	FY 82
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL						
400 COMMODITIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC.						
TOTAL	None	None	None	None	None	None

FUNDING (Thousands of Dollars)

GENERAL FUND	-0-	-0-	-0-	-0-	-0-	-0-
FEDERAL FUNDS						
OTHER (Specify)						

POSITIONS

FULL TIME	None	None	None	None	None	None
PART TIME						
TEMPORARY						

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

This Bill would facilitate the administration of the present production tax, making it fully auditable for the first time since "stair steps" were introduced into the statute in 1970. No additional staff or other costs are anticipated to administer this Bill. Assuming a full and fair market price for Prudhoe Bay oil, estimated receipts under the Bill for production from the main reservoir of that field would be \$131.3 million in FY 78, \$205.6 million in FY 79, \$362.4 million in FY 80, \$585.9 million in FY 81 and \$636.3 million in FY 82. Further comments (which are hereby incorporated into and made part of this Analysis) on the Bill appear in the attached memorandum from Thomas Williams to R. D. Stevenson.

IV. DATE February 18, 1977 PREPARED BY Thomas R. Williams
AGENCY Revenue
Original: Legislative Finance PHONE (907) 276-1363
cc: Budget and Management
Prime Sponsor (First Legislator Named)

MEMORANDUM

State of Alaska

TO: R. D. Stevenson
Special Assistant
Department of Revenue

DATE: February 18, 1977

FILE NO:

TELEPHONE NO:

FROM: Thomas K. Williams *TKW*
Director
Petroleum Revenue Division
Department of Revenue

SUBJECT: SB 103 and HB 144
(identical Bills)

At the outset I would note that the Department of Revenue has recently released its review of Alaska's present taxation methods as they apply to the oil and gas industry. Within that review is the production tax, and recommendations regarding this tax have been made by the Department. This will shortly be followed up with specific bills.

SB 103 and HB 144 are identical. They incorporate a number of suggestions made last Session by the Administration to improve the production tax; however, these Bills do not reflect the latest recommendations in the Department's tax study. The most notable difference is that these Bills retain the basic "stair step" approach based on productivity, while the Department proposes a "curve" (instead of "steps") based on the actual economic condition of a property. The Department's recommendation recognizes and adapts itself to the fact that different areas of the State have different scales of economic production (i.e., in some places a far greater amount of production is needed to break even than is needed in others).

No simple set of "steps" can be structured for statewide application that will reduce the economic effect of the tax as the production of a property declines toward the minimum needed to break even. Either the tax will accommodate Cook Inlet operations and be too insensitive for non-coastal Native lands (whose break-even rates of production will more closely resemble the break-even rates for Prudhoe Bay than those for the Inlet), or else they will reflect the economic scale of operations for Native lands and Prudhoe Bay and give too much away to the Inlet operations.

If the "stair step" approach is to be retained despite its defects, the change to average well productivity as the basis for the "steps" is an improvement over the present tax. Both Bills make this change. However, they seem to give a bit too much away in their present definition of average daily per well production." A well operated only one day in the month would count the same as one operated every day of the month. To prevent the "one-day well" tax dodge, it is suggested that something along the lines of the following be used:

R. D. Stevenson
February 18, 1977
Page Two

(15) "average daily per well production" means the amount calculated by dividing the total number of barrels of oil produced from a lease or property during the calendar month by the well-days for that lease or property for the calendar month.

(16) "well-days" means the total obtained by determining the number of days each well of a lease or property was operated during the calendar month and then adding those numbers together for all the wells of that lease or property.

Again, this suggestion is made only if "stair steps" are to be retained: it would be unnecessary if the Department's proposed Economic Limit Factor (ELF) is adopted instead.

Despite the difference between "stair steps" and the ELF, these Bills do contain a number of the Administration's recommendations last Session that would still be beneficial.

Most important of these is the specification of the point at which the production is to be valued. There was litigation over this question for Cook Inlet production, and only the fact that the tax is being paid on the cents-per-barrel basis keeps the controversy from boiling up anew. A similar situation could develop at Prudhoe Bay. Specifying the valuation point corrects this and prevents a problem from arising.

Another good feature of the Bills is their proposal to extend the tax to flared gas and to tax that gas at a higher rate. Without a cents-per-Mcf tax, however, the percent-of-value tax could have little if any effect. A producer presumably would argue (before the courts?) that its flared gas has zero value or else why would it be flared.

Neither Bill would change the ordinary gas production tax rate to achieve rate parity with oil. This flaw in the existing tax structure was pointed out in the Department's tax study.

TKW/fm

cc: Sterling Gallagher
Commissioner of Revenue

John R. Messenger
Deputy Commissioner of Revenue

THE LEGISLATURE OF THE STATE OF ALASKA
TENTH LEGISLATURE

FISCAL NOTE

I. REQUEST

Bill/Resolution No. HB 144
 Title Act concerning the oil and gas properties production tax
 Requested by _____ Date _____

II. FISCAL DETAIL

Agency Affected Revenue
 Program Category Affected General Government - Fiscal Services
 Budget Request Unit(s) Affected Petroleum Revenue

EXPENDITURES (Thousands of Dollars)

	FY 77	FY 78	FY 79	FY 80	FY 81	FY 82
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL						
400 COMMODITIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC.						
TOTAL	None	None	None	None	None	None

FUNDING (Thousands of Dollars)

GENERAL FUND	-0-	-0-	-0-	-0-	-0-	-0-
FEDERAL FUNDS						
OTHER (Specify)						

POSITIONS

FULL TIME	None	None	None	None	None	None
PART TIME						
TEMPORARY						

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

This Bill would facilitate the administration of the present production tax, making it fully auditable for the first time since "stair steps" were introduced into the statute in 1970. No additional staff or other costs are anticipated to administer this Bill. Assuming a full and fair market price for Prudhoe Bay oil, estimated receipts under the bill for production from the main reservoir of that field would be \$131.3 million in FY 78, \$205.6 million in FY 79, \$362.4 million in FY 80, \$585.9 million in FY 81 and \$636.3 million in FY 82. Further comments (which are hereby incorporated into and made part of this Analysis) on the Bill appear in the attached memorandum from Thomas Williams to R. D. Stevenson.

IV. DATE February 18, 1977 PREPARED BY Thomas R. Williams
 AGENCY Revenue
 Original: Legislative Finance PHONE (907) 276-1363
 cc: Budget and Management
Prime Sponsor (First Legislator Named)

MEMORANDUM

State of Alaska

TO: R. D. Stevenson
Special Assistant
Department of Revenue

DATE: February 18, 1977

FILE NO:

TELEPHONE NO:

FROM: Thomas K. Williams *TKW*
Director
Petroleum Revenue Division
Department of Revenue

SUBJECT: SB 103 and HB 144
(identical Bills)

At the outset I would note that the Department of Revenue has recently released its review of Alaska's present taxation methods as they apply to the oil and gas industry. Within that review is the production tax, and recommendations regarding this tax have been made by the Department. This will shortly be followed up with specific bills.

SB 103 and HB 144 are identical. They incorporate a number of suggestions made last Session by the Administration to improve the production tax; however, these Bills do not reflect the latest recommendations in the Department's tax study. The most notable difference is that these Bills retain the basic "stair step" approach based on productivity, while the Department proposes a "curve" (instead of "steps") based on the actual economic condition of a property. The Department's recommendation recognizes and adapts itself to the fact that different areas of the State have different scales of economic production (i.e., in some places a far greater amount of production is needed to break even than is needed in others).

No simple set of "steps" can be structured for statewide application that will reduce the economic effect of the tax as the production of a property declines toward the minimum needed to break even. Either the tax will accommodate Cook Inlet operations and be too insensitive for non-coastal Native lands (whose break-even rates of production will more closely resemble the break-even rates for Prudhoe Bay than those for the Inlet), or else they will reflect the economic scale of operations for Native lands and Prudhoe Bay and give too much away to the Inlet operations.

If the "stair step" approach is to be retained despite its defects, the change to average well productivity as the basis for the "steps" is an improvement over the present tax. Both Bills make this change. However, they seem to give a bit too much away in their present definition of average daily per well production." A well operated only one day in the month would count the same as one operated every day of the month. To prevent the "one-day well" tax dodge, it is suggested that something along the lines of the following be used:

R. D. Stevenson
February 18, 1977
Page Two

(15) "average daily per well production" means the amount calculated by dividing the total number of barrels of oil produced from a lease or property during the calendar month by the well-days for that lease or property for the calendar month.

(16) "well-days" means the total obtained by determining the number of days each well of a lease or property was operated during the calendar month and then adding those numbers together for all the wells of that lease or property.

Again, this suggestion is made only if "stair steps" are to be retained: it would be unnecessary if the Department's proposed Economic Limit Factor (ELF) is adopted instead.

Despite the difference between "stair steps" and the ELF, these Bills do contain a number of the Administration's recommendations last Session that would still be beneficial.

Most important of these is the specification of the point at which the production is to be valued. There was litigation over this question for Cook Inlet production, and only the fact that the tax is being paid on the cents-per-barrel basis keeps the controversy from boiling up anew. A similar situation could develop at Prudhoe Bay. Specifying the valuation point corrects this and prevents a problem from arising.

Another good feature of the Bills is their proposal to extend the tax to flared gas and to tax that gas at a higher rate. Without a cents-per-Mcf tax, however, the percent-of-value tax could have little if any effect. A producer presumably would argue (before the courts?) that its flared gas has zero value or else why would it be flared.

Neither Bill would change the ordinary gas production tax rate to achieve rate parity with oil. This flaw in the existing tax structure was pointed out in the Department's tax study.

TKW/fm

cc: Sterling Gallagher
Commissioner of Revenue

John R. Messenger
Deputy Commissioner of Revenue

STATE OF ALASKA
THE LEGISLATURE

LEGISLATIVE AFFAIRS AGENCY

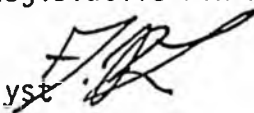
FOUCH Y. STATE CAPITOL
JUNEAU, ALASKA 99811
907-465-3800

MEMORANDUM

February 24, 1977

SUBJECT: Fiscal Notes on HB 144 and SB 103

TO : Jay Hogan
Director of Legislative Finance

FROM : A.R. Latham
Research Analyst 

Our agency submitted a fiscal note on HB 144 and SB 103 indicating the amount of severance tax revenues which would be generated under these bills. The figures supplied did NOT include the EIDC.

It is clear that the fiscal note supplied on the bills by the Department of Revenue included the EDIC.

As an example: Adjusting our 1978 value of \$265.6 million by the EDIC yields a value of \$132.8 million; this compares to the Department's value of \$131.3 million.

AL:cm

Introduced: 1/31/77
Referred: Resources and Finance

BY THE RULES COMMITTEE BY
REQUEST OF THE LEGISLATIVE
COUNCIL (for the Subcommittee
on Oil and Gas Leasing and
Taxing Policies)

1 IN THE HOUSE

2 HOUSE BILL NO. 144

3 IN THE LEGISLATURE OF THE STATE OF ALASKA.

4 TENTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act concerning the oil and gas properties pro-
7 duction tax; and providing for an effective date."

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

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

10 (a) There is levied upon the producer of oil or gas a tax based
11 upon a per cent of the gross value at the point of production [AT THE
12 WELL] of all oil or gas produced [REMOVED OR SOLD] from each lease or
13 property in the state, less the value of any part the ownership or right
14 to which is exempt from taxation. The tax is determined according to
15 the following schedules, and any part which is exempt from taxation is
16 deducted from the tax levied on a pro rata basis as to each production
17 level tax bracket:

18 (1) oil: based upon the total production from each lease or
19 property [AVERAGE DAILY PRODUCTION FOR EACH WELL] for the calendar month
20 in barrels, the tax is

21 (A) zero [FIVE] per cent on the first 100 [300] barrels
22 of average daily per well production;

23 (B) four [SIX] per cent on the next 200 [700] barrels of
24 average daily per well production;

25 (C) six [EIGHT] per cent on the next 700 [ALL PRODUCTION
26 IN EXCESS OF 1,000] barrels of average daily per well production;

27 (D) nine per cent on the next 500 barrels of average
28 daily per well production;

29 (E) eleven per cent on the next 2,000 barrels of average

1 daily per well production;

2 (F) fourteen per cent on all production in excess of
3 3,500 barrels of average daily per well production;

4 (2) gas: the tax is four per cent of the gross value at the
5 point of production of the gas and liquid products produced each month.

6 * Sec. 2. AS 43.55.015(a) is amended to read:

7 (a) There is levied upon the producer of oil a tax on each barrel
8 of oil produced [REMOVED OR SOLD] from each lease or property in the
9 state less any part the ownership or right to which is exempt from
10 taxation. The tax is based upon the total production from each lease or
11 property [AVERAGE DAILY PRODUCTION FOR EACH WELL] for the calendar month
12 in barrels determined according to the following schedule and any part
13 which is exempt from taxation is deducted from the tax levied on a pro
14 rata basis as to each production level bracket:

15 (1) \$.0000 [\$.16875] on each of the first 100 [300] barrels
16 of average daily per well production;

17 (2) \$.1350 [\$.2025] on each of the next 200 [700] barrels of
18 average daily per well production;

19 (3) \$.2025 [\$.2700] on each of the next 700 [BARREL OF PRO-
20 DUCTION IN EXCESS OF 1,000] barrels of average daily per well production;

21 (4) \$.3038 on each of the next 500 barrels of average
22 daily per well production;

23 (5) \$.3713 on each of the next 2,000 barrels of average daily
24 per well production;

25 (6) \$.4725 on each barrel of production in excess of 3,500
26 barrels of average daily per well production.

27 * Sec. 3. AS 43.55.015(c) is amended to read:

28 (c) The tax rates set out in this section will be increased or
29 decreased by a percentage equal to the percentage of change in the

1 Wholesale Price Index for crude petroleum published by the Bureau of
2 Labor Statistics, of the United States Department of Labor. The year
3 1967 is the base year of 100 for computing the tax rates. Changes in
4 tax rates will be computed based on changes from the December, 1973
5 Wholesale Price Index published in January, 1974 [IN THE WHOLESale PRICE
6 INDEX OCCURRING AFTER JANUARY 1, 1974 AND WILL NOT INCLUDE CHANGES IN
7 THE WHOLESale PRICE INDEX PRIOR TO JANUARY 1, 1974]. The department
8 shall post the changes in the tax rates at least semi-annually and shall
9 notify every person producing oil within the state of the changes.

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

11 (a) The gross production tax on oil or gas shall be paid monthly.
12 The tax is due on the 20th day [LAST DAY] of each calendar month on oil
13 or gas produced [REMOVED OR SOLD] from each lease or property during the
14 preceding month. If the tax is not paid before the end of the month in
15 which it becomes due, the tax becomes delinquent.

16 * Sec. 5. AS 43.55.020(e) is repealed and re-enacted to read:

17 (e) Gas produced, except gas used in the operation of a lease or
18 property in drilling for or producing oil or gas, or for repressuring,
19 is considered, for the purpose of this chapter, as gas produced from a
20 lease or property. Gas flared under a permit granted by the Department
21 of Natural Resources under AS 31.05.170(11)(H) shall be considered as
22 gas produced, except that it shall pay a severance tax equal to five
23 times the severance tax in effect for that period in which the gas was
24 flared.

25 * Sec. 6. AS 43.55.030(a)(1) is amended to read:

26 (1) a description of the lease or property from which the oil
27 or gas was produced [REMOVED OR SOLD], by name, legal description,
28 lease number or by accounting code numbers assigned by the department;

29 * Sec. 7. AS 43.55.030(a)(3) is amended to read:

1 (3) the gross amount of oil or gas produced [REMOVED OR SOLD]
2 from the lease or property, and the percentage of the gross amount owned
3 by each producer for whom the tax is paid;

4 * Sec. 8. AS 43.55.030(a)(4) is amended to read:

5 (4) the total value of the oil or gas produced [REMOVED OR
6 SOLD] from the lease or property owned by each producer for whom the tax
7 is paid; and

8 * Sec. 9. AS 43.55.140 is amended by adding new paragraphs to read:

9 (12) "gross value at the point of production" means:

10 (A) for oil, the value of the oil at the point where it
11 is metered or measured (by automatic custody transfer meter, tank
12 gauge, or other method approved by the commissioner) in a condition
13 of pipeline quality on the premises of the lease or property from
14 which it is recovered; however, if the oil is not of pipeline
15 quality when it is removed from the premises of the lease or
16 property from which it is recovered, or if the oil recovered from a
17 lease or property is not metered or measured (by automatic custody
18 transfer meter, tank gauge, or other method approved by the com-
19 missioner) on the premises of the lease or property from which it
20 is recovered, then the gross value at the point of production is
21 the value of that oil at the off-premises location where the oil is
22 first metered or measured (by automatic custody transfer meter,
23 tank gauge, or other method approved by the commissioner) in a
24 condition of pipeline quality;

25 (B) for gas recovered from or in association with oil,
26 the value of the gas at the point where it is accurately metered or
27 measured after separation from the oil; for gas run through a
28 gas processing plant, the gross value at the point of production is
29 the full consideration received by the producer for the gas if sold

1 in an arm's length transaction or, in the absence of an arm's
2 length transaction, is the sum of the value of the liquids ex-
3 tracted from the gas at the plant and the value of the residue gas,
4 less a reasonable allowance for processing the gas at the plant and
5 for transporting the gas to the plant from the premises upon which
6 the oil production operation is conducted; and

7 (C) for gas not recovered from or in association with
8 oil, the value of the gas at the point where it is accurately
9 metered or measured or the value of the gas at the point of sale,
10 if any, on the premises of the lease or property from which the gas
11 is recovered, whichever is the higher value; for gas run through a
12 gas processing plant, the gross value at the point of production is
13 the full consideration received by the producer for the gas if sold
14 in an arm's length transaction or, in the absence of an arm's
15 length transaction, is the sum of the value of the liquids ex-
16 tracted from the gas at the plant and the value of the residue gas,
17 less a reasonable allowance for processing the gas at the plant and
18 for transporting the gas to the plant from the point where it was
19 accurately metered or measured;

20 (13) "oil production operation" means the operation by which
21 oil is recovered from a lease or property and rendered into oil of
22 pipeline quality, and includes any gathering done before the oil is
23 finally rendered into oil of pipeline quality;

24 (14) "pipeline quality" means good and marketable condition;

25 (15) "average daily per well production" means the amount
26 calculated by dividing the total number of barrels of oil produced from
27 each lease or property during the calendar month by the total number of
28 wells produced on the lease or property any time during the calendar
29 month and dividing that amount by the total number of days in the

calendar month.

* Sec. 10. AS 43.55.140(10) and (11) are repealed.

* Sec. 11. This Act takes effect July 1, 1977.

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Comments of the Alaska Public Utilities Commission

HB 145 and 322

The certification procedure envisioned by the proposed legislation is a significant extension of the Commission's responsibilities because of both the scope of the task and its interrelationship with current regulatory activities.

The Commission will be required to review the accounts and certify the net taxable income of natural gas pipeline companies or, alternatively, to identify the deficiencies and, if possible, provide a reporting of the true and correct income. This procedure is akin to issuing an independent audit opinion and will require comparable standards of review and expertise. Additionally, the Commission is constrained to issue a certificate of compliance or deficiency within 45 days from receipt of a request of a pipeline carrier.

Section AS 42.05.502(c) anticipates some coincidence between the definition of net income for tax purposes and that used by the Commission in establishing rates and measuring rate of return. There are a number of differences between accounting for rate-making purposes and tax purposes. The information on net income currently filed and reviewed by the Commission is tailored to regulatory requirements and only tangentially relevant to the certification process. Thus, existing analysis of pipeline financial data, while complimentary, is not directly applicable to this task.

Given the Commission's workload, satisfactory performance of the certification responsibility will necessitate hiring a staff person with specialized knowledge of tax accounting. The alternative of developing in-house expertise and diverting limited staff resources to certification would dilute effective performance of existing regulatory responsibilities.

"An Act relating to the Alaska net income tax; effective date."

COMMITTEE REPORT

4/5/77

HOUSE

_____ Date

Mr. Speaker:

The Committee on FINANCE has had HR 145 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
- AND attaches a report of its intent
- (other) _____

MEMBERS SIGNING THE MAJORITY REPORT:

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

MEMBERS NOT CONCURRING IN THE MAJORITY REPORT:

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

_____ Chairman

COMMITTEE REPORT

1-31-77

HOUSE

FINANCE

4/1/77

Date

Mr. Speaker:

The Committee on RESOURCES has had HB 145 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
- AND attaches a report of its intent
- (other) _____

MEMBERS SIGNING THE MAJORITY REPORT:

H. Malone Dobson do pass

Alain Osterback Do Pass

Muel H. Snyder DO PASS

D. Smith Do Pass

W. O. DO PASS

MEMBERS NOT CONCURRING IN THE MAJORITY REPORT:

Don Bennett recommends: No Recommendation

Al Galena recommends: " " "

Ed U. recommends: " "

Wm. Abers recommends: " " "

Alain Osterback
Chairman

Introduced: 1/31/77
Referred: Resources and Finance

300.4
Erickson

BY THE RULES COMMITTEE BY
REQUEST OF THE LEGISLATIVE
COUNCIL (for the Subcommittee
on Oil and Gas Leasing and
Taxing Policies)

1 IN THE HOUSE

2 HOUSE BILL NO. 145

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 TENTH LEGISLATURE - FIRST SESSION

5 A BILL

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

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

9 * Section 1. LEGISLATIVE FINDINGS AND INTENT. The legislature finds and
10 declares that the method of apportioning income for tax purposes under the
11 "Uniform Division of Income for Tax Purposes" formula embodied in the Multi-
12 State Tax Compact (AS 43.19) and AS 43.20.065 does not fairly represent the
13 extent of the business activities in this state of multi-state corporations
14 engaged in the production and pipeline transportation of crude oil and
15 natural gas in Alaska. The legislature therefore intends that the provisions
16 of section 18 of article IV of the Multi-State Tax Compact (AS 43.19) which
17 allow separate accounting of income shall be adopted for the determination of
18 corporate income tax liability on income derived from the production and
19 pipeline transportation of oil and gas and related activities. The legisla-
20 ture further intends that separate accounting shall result in the assessment
21 of tax against multi-state corporations so that the tax paid by these cor-
22 porations will be commensurate with the tax that would be paid by corporations
23 owning and operating only the Alaskan assets of these multi-state corpora-
24 tions.

25 * Sec. 2. AS 43.20.011 is amended by adding a new subsection to read:

26 (f) For purposes of determining taxable income under (e) of this
27 section that part of income of any corporation derived in Alaska from
28 oil or natural gas production or the transportation of crude oil or
29 natural gas by pipeline, including income from royalties on oil and gas

COMMITTEE COPY

production, shall, notwithstanding sec. 65 of this chapter, be determined by separate accounting in accordance with section 18 of article IV of the Multi-State Compact (AS 43.19.010) and secs. 12 - 14 of this chapter.

* Sec. 3. AS 43.20 is amended by adding new sections to read:

Sec. 43.20.012. DETERMINATION OF OIL AND NATURAL GAS PRODUCTION INCOME. (a) The determination of taxable income attributable to oil and natural gas production, as required under secs. 11(e) and (f) of this chapter, shall be based on a separate accounting of costs and revenues associated with the production.

(b) Gross revenue from oil and gas production shall be the well-head value as established for purposes of the oil and gas properties production tax, in accordance with the provisions of ch. 55 of this title.

(c) Deductions from gross revenue for the purposes of determining taxable production income shall include:

(1) royalties actually paid whether in kind or in value;

(2) severance taxes actually paid;

(3) property taxes actually paid by the corporation taxpayer on the producing property and the facilities directly associated with it, including facilities for the gathering, treating and preparing of the oil or gas for shipment;

(4) the costs incurred by the corporation taxpayer in operating the oil or gas field, including the costs of gathering, treating and preparing the oil or gas for shipment, but net of any payments received for those services;

(5) depreciation on investments which are associated with the production, gathering, treating and preparing for shipment of the oil or gas, and which are located in or adjacent to the site of production, in-

1 cluding depreciation on capitalized interest, lease acquisition payments
2 and property taxes paid before the commencement of production on the
3 leasehold, facilities or investment associated with it;

4 (6) interest expense not capitalized and capitalizable, to
5 the extent that it does not exceed a portion of total interest paid by
6 the corporation, its subsidiaries and affiliates, determined by multi-
7 plying total interest paid by a fraction, the numerator of which is the
8 book value of the corporation's fixed assets in and associated with the
9 field, and the denominator of which is the book value of all fixed
10 assets held by the corporation, its subsidiaries and affiliates;

11 (7) expenses incurred after December 31, 1976 of unsuccessful
12 exploration efforts for oil and gas in Alaska, including the acquisition
13 costs of properties abandoned, dry hole costs, and the costs of geologic
14 and geophysical exploration on or related to those properties.

15 (d) The department shall establish regulations covering the calcu-
16 lation of depreciation costs, the allocation of interest costs, the
17 definition of facilities associated with the production, gathering,
18 treating and preparing for shipment of oil and gas, and other matters
19 necessary to implement this section.

20 Sec. 43.20.013. DETERMINATION OF CRUDE OIL AND NATURAL GAS PIPE-
21 LINE TRANSPORTATION INCOME. (a) Except as provided in (b) and (c) of
22 this section, annual taxable income from the pipeline transportation of
23 crude oil in Alaska in interstate commerce in facilities devoted wholly
24 to interstate commerce shall be eight per cent of the valuation of the
25 pipeline facility as determined by or in accordance with principles
26 established by the Interstate Commerce Commission (ICC).

27 (b) If no ICC valuation has been made of an interstate oil pipe-
28 line facility or if the oil pipeline facilities are engaged wholly or
29 partially in intrastate commerce, net income shall be determined in

1 accordance with regulations established by the Alaska Pipeline Commis-
2 sion under AS 42.06.041. A tax return reporting this income shall be
3 accompanied by a certification from the Alaska Pipeline Commission to
4 the effect that to the best of the commission's knowledge and belief the
5 income calculation has been made in accordance with the principles
6 established in regulations adopted by the commission, or, if the income
7 is not, in the opinion of the commission, reported in accordance with
8 its regulations, then a statement to that effect, identifying the
9 deficiencies in the report and, if possible, providing a reporting of
10 the true and correct income.

11 (c) A corporation operating an oil pipeline facility engaged
12 solely in interstate commerce may elect to have the taxable income from
13 that facility determined in accordance with (b) of this section, rather
14 than (a) of this section if it complies with all applicable regulations
15 and orders of the Alaska Pipeline Commission concerning accounting
16 methods and reports, and properly files all reports or other information
17 required by Alaska Pipeline Commission regulations.

18 (d) A corporation's taxable income from the transportation of
19 natural gas shall be determined for interstate natural gas pipelines in
20 conformance with the reporting procedures established by the Federal
21 Power Commission, and for intrastate pipelines in conformance with pro-
22 cedures established by the Alaska Public Utilities Commission. A tax
23 return reporting income from the intrastate transportation of natural
24 gas by pipeline shall be accompanied by a certification from the Alaska
25 Public Utilities Commission to the effect that to the best of the com-
26 mission's knowledge and belief the income calculation has been made in
27 accordance with the principles established in regulations adopted by the
28 commission, or, if the income is not, in the opinion of the commission,
29 reported in accordance with its regulations, then a statement to that

1 effect, identifying the deficiencies in the report and, if possible,
2 providing a reporting of the true and correct income.

3 (e) The certifications of the Alaska Pipeline Commission and the
4 Alaska Public Utilities Commission submitted in accordance with this
5 section shall not prejudice any future action by the respective commis-
6 sion nor shall it prevent the respective commission from submitting a
7 revised certification within three years of the due date of the tax
8 return in support of which it was originally filed.

9 (f) Nothing in this section or in sec. 12 of this chapter shall
10 limit a corporate taxpayer's right to appeal or the taxpayer remedies
11 provided under ch. 5 of this title.

12 Sec. 43.20.014. DETERMINATION OF INCOME FROM OTHER ACTIVITIES OF
13 CORPORATIONS ENGAGED IN OIL OR NATURAL GAS PRODUCTION OR TRANSPORTATION.
14 Taxable income from activities other than oil or natural gas production
15 or pipeline transportation shall be determined by subtracting the income
16 as determined under secs. 12 and 13 of this chapter from the corpora-
17 tion's consolidated net income and applying the allocation formula
18 required under the provisions of sec. 65 of this chapter, except that
19 the property factor and the payroll factor shall be calculated without
20 reference to payroll or property related to production or pipeline
21 transportation activity the income from which is taxable in accordance
22 with secs. 12 and 13 of this chapter.

23 Sec. 43.20.015. PUBLIC REPORTING. Notwithstanding the provisions
24 of AS 43.05.230, the commissioner of revenue shall compile and transmit
25 to the legislature an annual consolidated report of state revenues and
26 taxation policies under this chapter. This report shall include total
27 Alaska income tax paid by firms and individuals covered under this
28 chapter, itemized deductions by category and the tax cost of these de-
29 ductions. For purposes of this section, "tax cost" means the amount of

1 r revenue which the state would have collected had not a specific deduc-
2 tion been allowed. Also included in the report shall be a summary of
3 each corporate tax return filed which shows income from the production
4 of oil or natural gas, showing the total amount of oil and gas produced
5 by or for each taxpayer, the taxable income of the corporation from
6 production as reported in accordance with sec. 12 of this chapter, from
7 pipeline transportation as reported in accordance with sec. 13 of this
8 chapter, from other income allocated to the state under sec. 14 of this
9 chapter, and the tax due.

10 * Sec. 4. AS 43.20.330 is amended by adding new subsections to read:

11 (f) Any person who improperly influences, or attempts to improper-
12 ly influence, by means of payment or offer of payment or other valuable
13 consideration, any state official in his determination of values and
14 apportionments under this chapter shall be guilty of bribery and punish-
15 able under AS 11.30.040.

16 (g) Any person who knowingly and wilfully makes false statements
17 or representations, or who knowingly allows false statements or repre-
18 sentations to be made on his behalf in the case of corporations, with a
19 purpose of avoiding the corporate tax imposed under this chapter is
20 guilty of wilful tax avoidance and is punishable upon conviction by a
21 fine of three times the amount of the tax that would have been unpaid
22 had the false statement been undetected, and by imprisonment for not
23 less than 10 days nor more than one year.

24 * Sec. 5. AS 42.06.140 is amended by adding a new paragraph to read:

25 (11) shall provide all reasonable assistance to the Depart-
26 ment of Revenue in determining the net income from oil pipeline facili-
27 ties.

28 * Sec. 6. AS 42.06 is amended by adding a new section to read:

29 Sec. 42.06.041. CERTIFICATION OF INCOME TO DEPARTMENT OF REVENUE.

1 (a) Upon request of a pipeline carrier the commission shall review the
2 accounts of that carrier and provide a certification to the Department
3 of Revenue either stating that to the best of the commission's knowledge
4 and belief the report of net pipeline income submitted by the carrier
5 under AS 43.20.013 is in accordance with the commission's regulations
6 governing the accounting of income, or that it is not so in accordance,
7 in which case the commission shall identify the deficiencies in the
8 report and, if possible, provide a reporting of the true and correct in-
9 come.

10 (b) The commission shall provide the certification of compliance
11 or deficiency in reporting within 45 days of the date on which the pipe-
12 line carrier requests it, but all certifications remain subject to
13 amendment by the commission for a period of three years after the due
14 date of the tax return which they accompany.

15 (c) The commission may by regulation establish accounting pro-
16 cedures and definitions as may be necessary to define net income for tax
17 purposes, but net income so defined shall coincide as nearly as possible
18 with the net income definition used by the commission in establishing
19 rates and measuring rate of return, and shall be derived before any
20 deductions for income taxes accrued or paid.

1 * Sec. 7. AS 42.05.141 is amended to read:

2 Sec. 42.05.141. GENERAL POWERS AND DUTIES OF THE COMMISSION. The
3 Alaska Public Utilities Commission [MAY]

4 (1) may regulate every public utility engaged or proposing to
5 engage in such a business inside the state, except to the extent ex-
6 empted by sec. 711 of this chapter and the powers of the commission
7 shall be liberally construed to accomplish its stated purposes;

8 (2) may investigate, upon complaint or upon its own motion,
9 the rates, classifications, rules, regulations, practices, services and

1 facilities of a public utility and hold hearings on them;

2 (3) may make or require just, fair and reasonable rates,
3 classifications, regulations, practices, services and facilities for a
4 public utility;

5 (4) may prescribe the system of accounts and regulate the
6 service and safety of operations of a public utility;

7 (5) may require a public utility to file reports and other
8 information and data;

9 (6) may appear personally or by counsel and represent the
10 interests and welfare of the state in all matters and proceedings in-
11 volving a public utility pending before an officer, department, board,
12 commission or court of the state or of another state or the United
13 States and to intervene in, protest, resist, or advocate the granting,
14 denial or modification of any petition, application, complaint or other
15 proceeding;

16 (7) may examine witnesses and offer evidence in any proceed-
17 ing affecting the state and initiate or participate in judicial pro-
18 ceedings to the extent necessary to protect and promote the interests of
19 the state;

20 (8) shall provide all reasonable assistance to the Department
21 of Revenue in determining the net income from natural gas pipeline
22 facilities.

23 * Sec. 8. AS 42.05 is amended by adding a new section to read:

24 Sec. AS 42.05.502. CERTIFICATION OF INCOME TO DEPARTMENT OF
25 REVENUE. (a) Upon request of a pipeline carrier the commission shall
26 review the accounts of that carrier and provide a certification to the
27 Department of Revenue either stating that to the best of the commission's
28 knowledge and belief the report of net pipeline income submitted by the
29 carrier under AS 43.20.013 is in accordance with the commission's regu-

1 lations governing the accounting of income, or that it is not so in
2 accordance, in which case the commission shall identify the deficiencies
3 in the report and, if possible, provide a reporting of the true and
4 correct income.

5 (b) The commission shall provide the certification of compliance
6 or deficiency in reporting within 45 days of the date on which the pipe-
7 line carrier requests it, but all certifications remain subject to
8 amendment by the commission for a period of three years after the due
9 date of the tax return which they accompany.

10 (c) The commission may by regulation establish accounting proce-
11 dures and definitions as may be necessary to define net income for tax
12 purposes, but net income so defined shall coincide as nearly as possible
13 with the net income definition used by the commission in establishing
14 rates and measuring rate of return, and shall be derived before any
15 deductions for income taxes accrued or paid.

16 * Sec. 9. This Act relates only to income earned or received after
17 December 31, 1976.

18 * Sec. 10. This Act takes effect January 1, 1978.
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ALASKA STATE LEGISLATURE

TENTH Legislature FIRST Session

HOUSE BILL NO. 145

By THE RULES COMMITTEE BY REQUEST OF THE LEGISLATIVE COUNCIL (FOR THE SUBCOMMITTEE ON OIL AND GAS LEASING AND TAXING POLICIES)

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

Alaska Net Income Tax

Introduced in the House 1-31, 1977

HISTORY IN THE HOUSE

19 77
Jan. 31

Read first time and referred to Committee on Resources and Finance

Reported back with recommendation that

Read second time and

Read third time and

PASS	Effective Date
Yeas	Yeas
Nays	Nays
Absent	Absent
Excused	Excused

Reconsideration	
PASS	Effective Date
Yeas	Yeas
Nays	Nays
Absent	Absent
Excused	Excused
Reported correctly engrossed	
Signed by Speaker	
Sent to Senate	

CHIEF CLERK OF THE HOUSE

HISTORY IN THE SENATE

19

Read first time and referred to Committee on

Reported back with recommendation that

Read second time and

Read third time and

PASS	Effective Date
Yeas	Yeas
Nays	Nays
Absent	Absent
Excused	Excused

Reconsideration	
PASS	Effective Date
Yeas	Yeas
Nays	Nays
Absent	Absent
Excused	Excused
Reported correctly engrossed	
Signed by President	
Returned to House	

SECRETARY OF THE SENATE

HISTORY IN THE HOUSE

19

Received from Senate

Concurred in Senate amendment thus adopting:

Failed to concur in Senate amendment; asked Sen. to recede

Senate receded from amendment

Senate failed to recede from amendment

FCC appointed by House

FCC appointed by Senate

FCC adopted

To enrolling

Reported correctly enrolled

Sent to Governor

..... by Governor

Filed with Lt. Governor

Chapter No.

THE LEGISLATURE OF THE STATE OF ALASKA
TENTH LEGISLATURE

FISCAL NOTE

I. REQUEST

Bill/Resolution No. HB 145
Title An Act relating to the Alaska Net Income Tax
Requested by _____ Date 2/25/77

II. FISCAL DETAIL

Agency Affected Commerce & Economic Development
Program Category Affected Public Protection
Budget Request Unit(s) Affected Alaska Public Utilities Commission

EXPENDITURES (Thousands of Dollars)

	FY 77	FY 78	FY 79	FY 80	FY 81	FY 82
100 PERSONAL SERVICES		15.3	30.6			
200 TRAVEL						
300 CONTRACTUAL		2.1	2.1			
400 COMMODITIES		.2	.2			
500 EQUIPMENT		.8				
600 LAND & STRUCTURES						
700 GRANTS. CLAIMS. ETC.						
TOTAL		18.4	32.9			

FUNDING (Thousands of Dollars)

GENERAL FUND		18.4	32.9			
FEDERAL FUNDS						
OTHER (Specify)						

POSITIONS

FULL TIME		1	1			
PART TIME						
TEMPORARY						

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

Passage of this proposed legislation will require the Alaska Public Utilities Commission to employ at least one additional Financial Analyst III who would be responsible for examining the tax returns for intrastate pipeline.

Detailed expense estimate attached

Effective date: January 1, 1978

IV. DATE 2/25/77 PREPARED BY Jean M. Knowlton per esg
AGENCY Alaska Public Utilities Commission
PHONE 272-1487
Original: Legislative Finance
cc: Budget and Management
Prime Sponsor (First Legislator Named)

FISCAL NOTE

Re HB 145

1 Tax Accountant (UFA III, Range 18C)	\$24408	
Benefits 25 1/2%	6226	\$30634
Contractual:		
Office Space	1890	
Telephone	240	2130
Commodities:		
Stationery and Office Supplies	230	230
Equipment:		
Desk	295	
Chair	135	
Calculator	150	
Dictating Machine (Pocket Secretary)	250	<u>830</u>
		\$33824

HB 145

THE LEGISLATURE OF THE STATE OF ALASKA
TENTH LEGISLATURE

FISCAL NOTE

I. REQUEST

Bill/Resolution No. House Bill No. 145
 Title An Act relating to the Alaska net income tax
 Requested by House Resources Committee Date 2-1-77

II. FISCAL DETAIL

Agency Affected Revenue
 Program Category Affected Fiscal Services
 Budget Request Unit(s) Affected Audit Division

EXPENDITURES (Thousands of Dollars)

	FY 77	FY 78	FY 79	FY 80	FY 81	FY 82
100 PERSONAL SERVICES		88.1	317.8	317.8	353.3	353.3
200 TRAVEL		5.0	70.0	70.0	75.0	75.0
300 CONTRACTUAL		10.2	105.2	65.2	70.0	70.0
400 COMMODITIES		6	2.0	2.0	2.2	2.2
500 EQUIPMENT		1.8	6.0	1.0	1.8	1.0
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC.						
TOTAL	-0-	105.7	501.0	456.0	502.3	501.5

FUNDING (Thousands of Dollars)

GENERAL FUND	-0-	105.7	501.0	456.0	502.3	501.5
FEDERAL FUNDS						
OTHER (Specify)						

POSITIONS

FULL TIME	-0-	3	10	10	11	11
PART TIME						
TEMPORARY						

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

This bill will necessitate an Audit staff of 8 Field Auditors with a Clerk Typist III and a Tax Examiner to handle the clerical, typing and return processing duties. The other costs are related to the development of the computer processing systems and costs related to the positions. See memo attached to R. D. Stevenson dated 2/3/77

IV. DATE 2/3/77

PREPARED BY *Jay Berk*
 AGENCY Audit Division
 PHONE 465-2320

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

MEMORANDUM

TO: Mr. R. D. Stevenson
Special Assistant
Department of Revenue

DATE : February 3, 1977

FROM: Gary L. Jenkins 
Director
Audit Division

SUBJECT: House Bill 145

House Bill 145 provides that all oil producing and pipeline companies would compute their income on a separate accounting basis. This concept, while appearing to be simplistic and easy to accomplish, actually is very complex. This has been pointed out by the recent report prepared by Messrs. Zeifman and Ainsworth for the Department of Revenue and the Legislature.

There are several specific areas of concern which we have regarding the Bill. First, it splits the responsibility for audit of the returns to two different agencies. For a company in the production of oil and gas, the returns would be audited by this Division, while for pipeline companies it is assigned to the APUC. I would strongly urge that the audit function for pipeline companies be assigned to this Division with the provision that the APUC will generate the reporting requirements which would be used as the basis for the audit. Sections 3, 6 and 8 of the Bill would need to be amended to accomplish this.

Second, it appears that the intent of the Bill is that the Department of Revenue would by regulation define what would be deductible as an expense and how such items as intangible drilling costs would be treated for reporting purposes. To accomplish this would necessitate the employment of two Auditors and the Clerk Typist III at least one year ahead of the effective date of the law to do the research needed for these determinations.

Third, on line 17 of page 5 of the Bill is a reference to the "allocation" formula required under Sec. 65 of the chapter. To be technically correct and to remove all doubts of what is meant, I would recommend that the proper term "apportionment" be inserted in place of allocation. To allocate is to specifically identify the nature of each item of income and assign it to the proper jurisdiction, while to apportion is to assign income on the basis of a formula.

Fourth, Sec. 4 of the Bill refers to AS 43.20.330 which was repealed in 1972 by Chapter 169 of the Session Laws. The proper reference is AS 43.20.335 with the two subsections identified as (j) and (k).

Fifth, the portion of Sec. 3 of the Bill which pertains to public reporting has provisions in it which may be unconstitutional. A primary tenant of our system of self-assessed tax is that the information reported shall remain confidential. The provision which would require

a summary of each return filed to be made public should be stricken from the Bill. That portion is included in lines 2 - 9 of page 6.

Lastly, there appears to be a conflict between Sections 9 and 10 of the Bill. Section 9 implies that the Bill would be effective on 1-1-77 while Section 10 states that it is effective on 1-1-78. Does Section 10 mean that returns would be due after 1-1-78 on income earned in 1977? I would recommend that this be clarified.

GLJ:mh



THE LEGISLATURE OF THE STATE OF ALASKA
TENTH LEGISLATURE

FISCAL NOTE

HB 145

I. REQUEST

Bill/Resolution No. HB 145
 Title An Act relating to the Alaska net income tax
 Requested by _____ Date 3/8/77

II. FISCAL DETAIL

Agency Affected Commerce & Economic Development
 Program Category Affected Public Protection
 Budget Request Unit(s) Affected Alaska Pipeline Commission

EXPENDITURES (Thousands of Dollars)

	FY 77	FY 78	FY 79	FY 80	FY 81	FY 82
100 PERSONAL SERVICES	0	17.5	37.3	39.3	41.2	43.3
200 TRAVEL						
300 CONTRACTUAL	0	.75	1.5	1.5	1.5	1.5
400 COMMODITIES	0	.1	.2	.2	.2	.2
500 EQUIPMENT	0	1.0				
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC.						
TOTAL	0	19.6	39.0	40.9	42.9	45.0

FUNDING (Thousands of Dollars)

GENERAL FUND	0	19.6	39.0	40.9	42.9	45.0
FEDERAL FUNDS						
OTHER (Specify)						

POSITIONS

FULL TIME	0	1	1	1	1	1
PART TIME						
TEMPORARY						

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

Given the Commission's workload, satisfactory performance of the certification responsibility will necessitate hiring a staff person with specialized knowledge of tax accounting.

Effective date: January 1, 1978

IV. DATE 3/8/77 PREPARED BY William L. Murray
 AGENCY Alaska Pipeline Commission
 PHONE 279-0583
 Original: Legislative Finance
 cc: Budget and Management
 Prime Sponsor (First Legislator Named)

Introduced: 1/31/77
Referred: Resources and Finance

BY THE RULES COMMITTEE BY
REQUEST OF THE LEGISLATIVE
COUNCIL (for the Subcommittee
on Oil and Gas Leasing and
Taxing Policies)

1 IN THE HOUSE

2 HOUSE BILL NO. 145

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 TENTH LEGISLATURE - FIRST SESSION

5 A BILL

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

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

9 * Section 1. LESIGLATIVE FINDINGS AND INTENT. The legislature finds and
10 declares that the method of apportioning income for tax purposes under the
11 "Uniform Division of Income for Tax Purposes" formula embodied in the Multi-
12 State Tax Compact (AS 43.19) and AS 43.20.065 does not fairly represent the
13 extent of the business activities in this state of multi-state corporations
14 engaged in the production and pipeline transportation of crude oil and
15 natural gas in Alaska. The legislature therefore intends that the provisions
16 of section 18 of article IV of the Multi-State Tax Compact (AS 43.19) which
17 allow separate accounting of income shall be adopted for the determination of
18 corporate income tax liability on income derived from the production and
19 pipeline transportation of oil and gas and related activities. The legisla-
20 ture further intends that separate accounting shall result in the assessment
21 of tax against multi-state corporations so that the tax paid by these cor-
22 porations will be commensurate with the tax that would be paid by corporations
23 owning and operating only the Alaskan assets of these multi-state corpora-
24 tions.

25 * Sec. 2. AS 43.20.011 is amended by adding a new subsection to read:

26 (f) For purposes of determining taxable income under (e) of this
27 section that part of income of any corporation derived in Alaska from
28 oil or natural gas production or the transportation of crude oil or
29 natural gas by pipeline, including income from royalties on oil and gas

1 production, shall, notwithstanding sec. 65 of this chapter, be deter-
2 mined by separate accounting in accordance with section 18 of article IV
3 of the Multi-State Compact (AS 43.19.010) and secs. 12 - 14 of this
4 chapter.

5 * Sec. 3. AS 43.20 is amended by adding new sections to read:

6 Sec. 43.20.012. DETERMINATION OF OIL AND NATURAL GAS PRODUCTION
7 INCOME. (a) The determination of taxable income attributable to oil
8 and natural gas production, as required under secs. 11(e) and (f) of
9 this chapter, shall be based on a separate accounting of costs and
10 revenues associated with the production.

11 (b) Gross revenue from oil and gas production shall be the well-
12 head value as established for purposes of the oil and gas properties
13 production tax, in accordance with the provisions of ch. 55 of this
14 title.

15 (c) Deductions from gross revenue for the purposes of determining
16 taxable production income shall include:

17 (1) royalties actually paid whether in kind or in value;

18 (2) severance taxes actually paid;

19 (3) property taxes actually paid by the corporation taxpayer
20 on the producing property and the facilities directly associated with
21 it, including facilities for the gathering, treating and preparing of
22 the oil or gas for shipment;

23 (4) the costs incurred by the corporation taxpayer in opera-
24 ting the oil or gas field, including the costs of gathering, treating
25 and preparing the oil or gas for shipment, but net of any payments
26 received for those services;

27 (5) depreciation on investments which are associated with the
28 production, gathering, treating and preparing for shipment of the oil or
29 gas, and which are located in or adjacent to the site of production, in-

1 cluding depreciation on capitalized interest, lease acquisition payments
2 and property taxes paid before the commencement of production on the
3 leasehold, facilities or investment associated with it;

4 (6) interest expense not capitalized and capitalizable, to
5 the extent that it does not exceed a portion of total interest paid by
6 the corporation, its subsidiaries and affiliates, determined by multi-
7 plying total interest paid by a fraction, the numerator of which is the
8 book value of the corporation's fixed assets in and associated with the
9 field, and the denominator of which is the book value of all fixed
10 assets held by the corporation, its subsidiaries and affiliates;

11 (7) expenses incurred after December 31, 1976 of unsuccessful
12 exploration efforts for oil and gas in Alaska, including the acquisition
13 costs of properties abandoned, dry hole costs, and the costs of geologic
14 and geophysical exploration on or related to those properties.

15 (d) The department shall establish regulations covering the calcu-
16 lation of depreciation costs, the allocation of interest costs, the
17 definition of facilities associated with the production, gathering,
18 treating and preparing for shipment of oil and gas, and other matters
19 necessary to implement this section.

20 Sec. 43.20.013. DETERMINATION OF CRUDE OIL AND NATURAL GAS PIPE-
21 LINE TRANSPORTATION INCOME. (a) Except as provided in (b) and (c) of
22 this section, annual taxable income from the pipeline transportation of
23 crude oil in Alaska in interstate commerce in facilities devoted wholly
24 to interstate commerce shall be eight per cent of the valuation of the
25 pipeline facility as determined by or in accordance with principles
26 established by the Interstate Commerce Commission (ICC).

27 (b) If no ICC valuation has been made of an interstate oil pipe-
28 line facility or if the oil pipeline facilities are engaged wholly or
29 partially in intrastate commerce, net income shall be determined in

1 accordance with regulations established by the Alaska Pipeline Commis-
2 sion under AS 42.06.041. A tax return reporting this income shall be
3 accompanied by a certification from the Alaska Pipeline Commission to
4 the effect that to the best of the commission's knowledge and belief the
5 income calculation has been made in accordance with the principles
6 established in regulations adopted by the commission, or, if the income
7 is not, in the opinion of the commission, reported in accordance with
8 its regulations, then a statement to that effect, identifying the
9 deficiencies in the report and, if possible, providing a reporting of
10 the true and correct income.

11 (c) A corporation operating an oil pipeline facility engaged
12 solely in interstate commerce may elect to have the taxable income from
13 that facility determined in accordance with (b) of this section, rather
14 than (a) of this section if it complies with all applicable regulations
15 and orders of the Alaska Pipeline Commission concerning accounting
16 methods and reports, and properly files all reports or other information
17 required by Alaska Pipeline Commission regulations.

18 (d) A corporation's taxable income from the transportation of
19 natural gas shall be determined for interstate natural gas pipelines in
20 conformance with the reporting procedures established by the Federal
21 Power Commission, and for intrastate pipelines in conformance with pro-
22 cedures established by the Alaska Public Utilities Commission. A tax
23 return reporting income from the intrastate transportation of natural
24 gas by pipeline shall be accompanied by a certification from the Alaska
25 Public Utilities Commission to the effect that to the best of the com-
26 mission's knowledge and belief the income calculation has been made in
27 accordance with the principles established in regulations adopted by the
28 commission, or, if the income is not, in the opinion of the commission,
29 reported in accordance with its regulations, then a statement to that

1 effect, identifying the deficiencies in the report and, if possible,
2 providing a reporting of the true and correct income.

3 (e) The certifications of the Alaska Pipeline Commission and the
4 Alaska Public Utilities Commission submitted in accordance with this
5 section shall not prejudice any future action by the respective commis-
6 sion nor shall it prevent the respective commission from submitting a
7 revised certification within three years of the due date of the tax
8 return in support of which it was originally filed.

9 (f) Nothing in this section or in sec. 12 of this chapter shall
10 limit a corporate taxpayer's right to appeal or the taxpayer remedies
11 provided under ch. 5 of this title.

12 Sec. 43.20.014. DETERMINATION OF INCOME FROM OTHER ACTIVITIES OF
13 CORPORATIONS ENGAGED IN OIL OR NATURAL GAS PRODUCTION OR TRANSPORTATION.
14 Taxable income from activities other than oil or natural gas production
15 or pipeline transportation shall be determined by subtracting the income
16 as determined under secs. 12 and 13 of this chapter from the corpora-
17 tion's consolidated net income and applying the allocation formula
18 required under the provisions of sec. 65 of this chapter, except that
19 the property factor and the payroll factor shall be calculated without
20 reference to payroll or property related to production or pipeline
21 transportation activity the income from which is taxable in accordance
22 with secs. 12 and 13 of this chapter.

23 Sec. 43.20.015. PUBLIC REPORTING. Notwithstanding the provisions
24 of AS 43.05.230, the commissioner of revenue shall compile and transmit
25 to the legislature an annual consolidated report of state revenues and
26 taxation policies under this chapter. This report shall include total
27 Alaska income tax paid by firms and individuals covered under this
28 chapter, itemized deductions by category and the tax cost of these de-
29 ductions. For purposes of this section, "tax cost" means the amount of

1 revenue which the state would have collected had not a specific deduc-
2 tion been allowed. Also included in the report shall be a summary of
3 each corporate tax return filed which shows income from the production
4 of oil or natural gas, showing the total amount of oil and gas produced
5 by or for each taxpayer, the taxable income of the corporation from
6 production as reported in accordance with sec. 12 of this chapter, from
7 pipeline transportation as reported in accordance with sec. 13 of this
8 chapter, from other income allocated to the state under sec. 14 of this
9 chapter, and the tax due.

10 * Sec. 4. AS 43.20.330 is amended by adding new subsections to read:

11 (f) Any person who improperly influences, or attempts to improper-
12 ly influence, by means of payment or offer of payment or other valuable
13 consideration, any state official in his determination of values and
14 apportionments under this chapter shall be guilty of bribery and punish-
15 able under AS 11.30.040.

16 (g) Any person who knowingly and wilfully makes false statements
17 or representations, or who knowingly allows false statements or repre-
18 sentations to be made on his behalf in the case of corporations, with a
19 purpose of avoiding the corporate tax imposed under this chapter is
20 guilty of wilful tax avoidance and is punishable upon conviction by a
21 fine of three times the amount of the tax that would have been unpaid
22 had the false statement been undetected, and by imprisonment for not
23 less than 10 days nor more than one year.

24 * Sec. 5. AS 42.06.140 is amended by adding a new paragraph to read:

25 (11) shall provide all reasonable assistance to the Depart-
26 ment of Revenue in determining the net income from oil pipeline facili-
27 ties.

28 * Sec. 6. AS 42.06 is amended by adding a new section to read:

29 Sec. 42.06.041. CERTIFICATION OF INCOME TO DEPARTMENT OF REVENUE.

1 (a) Upon request of a pipeline carrier the commission shall review the
2 accounts of that carrier and provide a certification to the Department
3 of Revenue either stating that to the best of the commission's knowledge
4 and belief the report of net pipeline income submitted by the carrier
5 under AS 43.20.013 is in accordance with the commission's regulations
6 governing the accounting of income, or that it is not so in accordance,
7 in which case the commission shall identify the deficiencies in the
8 report and, if possible, provide a reporting of the true and correct in-
9 come.

10 (b) The commission shall provide the certification of compliance
11 or deficiency in reporting within 45 days of the date on which the pipe-
12 line carrier requests it, but all certifications remain subject to
13 amendment by the commission for a period of three years after the due
14 date of the tax return which they accompany.

15 (c) The commission may by regulation establish accounting pro-
16 cedures and definitions as may be necessary to define net income for tax
17 purposes, but net income so defined shall coincide as nearly as possible
18 with the net income definition used by the commission in establishing
19 rates and measuring rate of return, and shall be derived before any
20 deductions for income taxes accrued or paid.

21 * Sec. 7. AS 42.05.141 is amended to read:

22 Sec. 42.05.141. GENERAL POWERS AND DUTIES OF THE COMMISSION. The
23 Alaska Public Utilities Commission [MAY]

24 (1) may regulate every public utility engaged or proposing to
25 engage in such a business inside the state, except to the extent ex-
26 empted by sec. 711 of this chapter and the powers of the commission
27 shall be liberally construed to accomplish its stated purposes;

28 (2) may investigate, upon complaint or upon its own motion,
29 the rates, classifications, rules, regulations, practices, services and

1 facilities of a public utility and hold hearings on them;

2 (3) may make or require just, fair and reasonable rates,
3 classifications, regulations, practices, services and facilities for a
4 public utility;

5 (4) may prescribe the system of accounts and regulate the
6 service and safety of operations of a public utility;

7 (5) may require a public utility to file reports and other
8 information and data;

9 (6) may appear personally or by counsel and represent the
10 interests and welfare of the state in all matters and proceedings in-
11 volving a public utility pending before an officer, department, board,
12 commission or court of the state or of another state or the United
13 States and to intervene in, protest, resist, or advocate the granting,
14 denial or modification of any petition, application, complaint or other
15 proceeding;

16 (7) may examine witnesses and offer evidence in any proceed-
17 ing affecting the state and initiate or participate in judicial pro-
18 ceedings to the extent necessary to protect and promote the interests of
19 the state;

20 (8) shall provide all reasonable assistance to the Department
21 of Revenue in determining the net income from natural gas pipeline
22 facilities.

23 * Sec. 8. AS 42.05 is amended by adding a new section to read:

24 Sec. AS 42.05.502. CERTIFICATION OF INCOME TO DEPARTMENT OF
25 REVENUE. (a) Upon request of a pipeline carrier the commission shall
26 review the accounts of that carrier and provide a certification to the
27 Department of Revenue either stating that to the best of the commission's
28 knowledge and belief the report of net pipeline income submitted by the
29 carrier under AS 43.20.013 is in accordance with the commission's regu-

1 lations governing the accounting of income, or that it is not so in
2 accordance, in which case the commission shall identify the deficiencies
3 in the report and, if possible, provide a reporting of the true and
4 correct income.

5 (b) The commission shall provide the certification of compliance
6 or deficiency in reporting within 45 days of the date on which the pipe-
7 line carrier requests it, but all certifications remain subject to
8 amendment by the commission for a period of three years after the due
9 date of the tax return which they accompany.

10 (c) The commission may by regulation establish accounting proce-
11 dures and definitions as may be necessary to define net income for tax
12 purposes, but net income so defined shall coincide as nearly as possible
13 with the net income definition used by the commission in establishing
14 rates and measuring rate of return, and shall be derived before any
15 deductions for income taxes accrued or paid.

16 * Sec. 9. This Act relates only to income earned or received after
17 December 31, 1976.

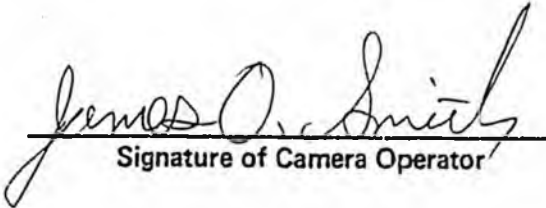
18 * Sec. 10. This Act takes effect January 1, 1978.

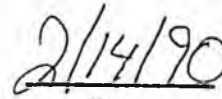


RECORDS CERTIFICATION



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

Introduced: 2/1/77
Referred: Finance

1 IN THE HOUSE

BY RUDD

2 HOUSE BILL NO. 151

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 TENTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act making a special appropriation to the Department
7 of Fish and Game to purchase real property known as the
8 Rabbit Creek Rifle Range within Potter Point State Game
9 Refuge; and providing for an effective date."

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

11 * Section 1. The sum of \$75,000 is appropriated from the general fund to
12 the Department of Fish and Game to purchase real property known as the Rabbit
13 Creek Rifle Range within the area known as the Potter Point State Game Refuge.

14 * Sec. 2. The real property described in sec. 1 of this Act shall be
15 maintained as waterfowl habitat, refuge access, and a continued limited use
16 shooting facility.

17 * Sec. 3. Any funds not used in the purchase of the property described in
18 sec. 1 of this Act shall be used to develop safety and sound abatement
19 features on the rifle range.

20 * Sec. 4. The unexpended and unobligated portion of this appropriation
21 lapses into the general fund June 30, 1978.

22 * Sec. 5. This Act takes effect immediately in accordance with AS 01.10.-
23 070(c).

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"An Act making a special appropriation to the Department of Fish and Game to purchase real property known as the Rabbit Creek Rifle Range within Potter Point State Game Refuge; and providing for an effective date."

COMMITTEE REPORT

2-1-77

HOUSE

_____ Date

Mr. Speaker:

The Committee on FINANCE has had HB 151

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
- AND attaches a report of its intent
- (other) _____

MEMBERS SIGNING THE MAJORITY REPORT:

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

MEMBERS NOT CONCURRING IN THE MAJORITY REPORT:

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

_____ Chairman

3141
McKenzie

Introduced: 2/1/77
Referred: Finance

1 IN THE HOUSE

BY RUDD

2 HOUSE BILL NO. 151

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 TENTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act making a special appropriation to the Department
7 of Fish and Game to purchase real property known as the
8 Rabbit Creek Rifle Range within Potter Point State Game
9 Refuge; and providing for an effective date."

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

11 * Section 1. The sum of \$75,000 is appropriated from the general fund to
12 the Department of Fish and Game to purchase real property known as the Rabbit
13 Creek Rifle Range within the area known as the Potter Point State Game Refuge.

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19 features on the rifle range.

20 * Sec. 4. The unexpended and unobligated portion of this appropriation
21 lapses into the general fund June 30, 1978.

22 * Sec. 5. This Act takes effect immediately in accordance with AS 01.10.-
23 070(c).

ALASKA STATE LEGISLATURE

TENTH Legislature FIRST Session

HOUSE BILL NO. 151

By RUDD

"An Act making a special appropriation to the Department of Fish and Game to purchase real property known as the Rabbit Creek Rifle Range within Potter Point State Game Refuge; and providing for an effective date."

Purchase Rabbit Creek Rifle Rng.

Introduced in the House 2-1, 19.77

HISTORY IN THE HOUSE

19 77	Read first time and referred to Committee on
Feb. 1	Finance
	Reported back with recommendation that
	Read second time and
	Read third time and
	PASS Effective Date
	Yeas Yeas
	Nays Nays
	Absent Absent
	Excused Excused
	Reconsideration
	PASS Effective Date
	Yeas Yeas
	Nays Nays
	Absent Absent
	Excused Excused
	Reported correctly engrossed
	Signed by Speaker
	Sent to Senate
	CHIEF CLERK OF THE HOUSE

HISTORY IN THE SENATE

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

HISTORY IN THE HOUSE

19	Received from Senate
	Concurred in Senate amendment thus adopting:
	Failed to concur in Senate amendment; asked Sen. to recede
	Senate receded from amendment
	Senate failed to recede from amendment
	FCC appointed by House
	FCC appointed by Senate
	FCC adopted
	To enrolling
	Reported correctly enrolled
	Sent to Governor
 by Governor
	Filed with Lt. Governor
	Chapter No.

BILL ANALYSIS

3/4/77 Attachment HFC
minutes re HB 151

ASSIGNMENT DATE _____

UNASSIGNED _____

DEPARTMENT Fish & Game	SPONSOR (PRINCIPAL) Rudd	BILL NO. HB 151
DEPARTMENT POSITION Conditional Support		
DIVISION DIRECTOR	DATE	COMMISSIONER James W. Brooks
		DATE 3-2-77
GOVERNOR'S OFFICE USE		
<input type="checkbox"/> POSITION NOTED <input type="checkbox"/> POSITION APPROVED <input type="checkbox"/> POSITION DISAPPROVED		
BY: _____ DATE: _____		
SUMMARY		
(1) RELATED BILLS (SIMILAR OR CONFLICTING) SB 113 - Identical but with different sponsors.		
(2) a. ORGANIZATIONAL SUPPORT FOR BILL Municipality of Anchorage Anchorage Area Shooter Association	/	(2) b. ORGANIZATIONAL OPPOSITION TO BILL None Known
(3) PROGRAM EFFECTS OF BILL By securing the necessary land, enactment of this bill would assure the continued operation of the Rabbit Creek Rifle Range which has operated under the supervision of the Department of Fish and Game for several years. An additional benefit would be that the land would provide the only potential access corridor from the east to the Potter Point State Game Refuge as well as providing some extremely valuable waterfowl habitat adjacent to the refuge.		
(4) FISCAL IMPACT: <input type="checkbox"/> NONE <input type="checkbox"/> FISCAL ANALYSIS ATTACHED		
(5) AMENDMENTS PROPOSED: Consideration should be given to authorizing the expenditure of \$75,000 of Federal funds (BOR) which are believed to be available for matching, in addition to the \$75,000 from the General Fund which would be appropriated.		

(6) COMMENTS:
While recognizing the benefits of this proposal as noted above, the development and funding of shooting ranges is generally considered to be more properly a responsibility of local governments than of the state. In that nearly every community would benefit from a shooting range, it seems likely that the funding of the Anchorage area range by the state would be precedent setting and would precipitate numerous other requests for state assistance. It is the policy of the Administration to initiate new programs or services that incur state costs only to the extent that new revenues are available to offset them. Therefore, the department support of this legislation is conditioned on the imposition of effective constraints that will limit the proliferation of state funded shooting ranges and will assure that new revenues are forthcoming to offset their cost.

THE LEGISLATURE OF THE STATE OF ALASKA
TENTH LEGISLATURE

FISCAL NOTE

I. REQUEST

Bill/Resolution No. HB 151
 Title An act making a special appropriation to purchase Rabbit Creek Rifle Range
 Requested by Governor's Office Date 2-18-77

II. FISCAL DETAIL

Agency Affected Department of Fish and Game
 Program Category Affected NRMEC
 Budget Request Unit(s) Affected Hunter Safety, Division of Game BRU

EXPENDITURES (Thousands of Dollars)

	FY 77	FY 78	FY 79	FY 80	FY 81	FY 82
100 PERSONAL SERVICES	13.0					
200 TRAVEL						
300 CONTRACTUAL	4.5	2.1	2.1	2.1	2.1	2.1
400 COMMODITIES	8.8	2.9	2.9	2.9	2.9	2.9
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC.						
TOTAL	26.3	5.0	5.0	5.0	5.0	5.0

FUNDING (Thousands of Dollars)

	FY 77	FY 78	FY 79	FY 80	FY 81	FY 82
GENERAL FUND						
FEDERAL FUNDS	19.8	3.8	3.8	3.8	3.8	3.8
OTHER (Specify) Fish & Game Fund	6.5	1.2	1.2	1.2	1.2	1.2

POSITIONS

	FY 77	FY 78	FY 79	FY 80	FY 81	FY 82
FULL TIME						
PART TIME						
TEMPORARY						

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

The Rabbit Creek Rifle Range is presently being operated by the Division of Game's Hunter Safety Program. If this bill were passed the Municipality of Anchorage would operate this facility under guidelines of a cooperative agreement with the Division of Game. It would be operated on a user-fee basis and would be largely self-supporting. The Division of Game would plan to spend approximately \$5000/year in improvements and maintenance of the facility. This will result in net savings to the Division of Game of about \$21,300/year.

IV. DATE 2-18-77

Original: Legislative Finance
 cc: Budget and Management

PREPARED BY Robert A. Rausch, Director
 AGENCY Dept. Fish & Game - Division of Game
 PHONE 465-4190

John W. Fletcher, III

ATTORNEY AT LAW
510 L STREET, SUITE 405
ANCHORAGE, ALASKA 99501
TELEPHONE [907] 276-1886

February 16, 1977

House Finance Committee
Pouch V
Juneau, Alaska 99811

Attention: Steve Cowper, Chairman
Oral Freeman, Vice Chairman
Thelma Buchholdt
Jim Duncan
Clark Gruening
Phillip Guy
Russ Meekins, Jr.
Leo Schaeffer
Leslie Swanson
E. J. Haugen
Leo Rhode

RE: House Bill 151


Gentlemen:

For some time I have been working on the Rabbit Creek Rifle Range project. This involves keeping open and making available to the community the Rabbit Creek Rifle Range located to the south of Anchorage, Alaska. Due to the unique location of Anchorage, available range facilities are quite limited. Thus there is a continuing need for a high quality shooting facility in that area.

I'm enclosing, for your information, a letter of August 26, 1976 addressed to the Honorable Jay Hammond, Governor of the State of Alaska, setting forth some of the reasons for the rifle range's existence and the necessity for its continued existence.

I strongly urge your support for the pending appropriation bills (House Bill 151 and Senate Bill 113). I look forward to any communications from your committee regarding this matter, and should you require further input please feel free to contact me at your earliest convenience.

Sincerely,



John W. Fletcher, III

JWP:s1

Enc.

August 26, 1976

The Honorable Jay Hammond
Governor of the State of Alaska
Pouch V
Juneau, Alaska 99801

Re: The Rabbit Creek Rifle Range

Sir:

It has recently come to my attention that the future of the Rabbit Creek Rifle Range just south of Anchorage is in some jeopardy. Apparently you have vetoed an appropriation by the legislature which would have been used along with matching Federal funds to acquire the range property so that it could be properly developed into a community shooting range for public purposes. I would like you to reconsider your position regarding this issue based upon the following facts and arguments.

The Rabbit Creek Rifle Range has been in existence at its present location for approximately 20 years. The range exists on approximately 60 acres of property acquired under a patent from the Federal Government restricting the use of that property to recreational purposes. The property is contiguous to the wildlife sanctuary located on the south side of the city of Anchorage. The shooting purposes for which the range was established with a proper backdrop in the immediate Anchorage area. In order to shoot safely without using this range, one must travel approximately 13 miles north of Anchorage to the Fish Creek Range. This range is a public range and is open to the public. The Fish Creek Range is a public range and is open to the public. The Fish Creek Range is a public range and is open to the public. It should be noted that there has been very unsafe alternate ranges found in the Eagle River Valley and of course the public has done a lot of damage to the area throughout the years.

The Honorable Jay Hammond
August 26, 1976
Page 2

Anchorage. It has substantial use from the shooting public. I am informed that approximately 1,300 to 1,500 shooters go through that range every month.

The entity having apparent title to the property is the Anchorage Range Association, Incorporated. This corporation was apparently formed for the purpose of acquiring the property from the Federal Government for public recreational shooting use. Whether or not this entity is now very active I do not know. The Fish and Game Department was able to acquire a three year lease from this entity last year in order to operate the range on a temporary basis pending approval by legislature of the purpose of this property using matching Federal money. As you are aware, the shooters and sportsmen of the State of Alaska pay into the Federal Government a tax based upon sales of firearms and ammunition. This money is earmarked for the purpose of developing safe shooting practices and for the general promotion of hunting and firearms sportsmanship. Without the appropriation which you have vetoed this money will be lost.

As indicated previously the Fish and Game Department has been supervising the range facility at Anchorage and I understand several other facilities state-wide. Prior to the involvement of the Fish and Game Department in this matter I would have to label the Rabbit Creek Range as a public nuisance. Since that time public hearings have been held regarding this range and several alternatives have been suggested for its location. First, it was suggested that the range be operated by a private entity and the Anchorage Gun Collectors Association was approached with the idea of this association running the range. It was thought that the hunters safety should be a matter of state-wide concern and that the Fish and Game Department was in a better position to handle this matter. The Anchorage Borough of Anchorage was also approached with the idea of running this range and public hearings were held on this matter and the Borough declined to accept the invitation. Furthermore, the consensus of opinion of the shooters I know is that we would definitely not like the Borough to be involved in any such activity. This is a liability which is of a type for which a liability which the Fish and Game Department is not available for the acquisition of the property.

Since the Fish and Game Department has taken over the operation, the Fish and Game Department has been able to operate the range and a vote was placed to back the Fish and Game Department's veto.

The Honorable Jay Hammond
August 26, 1976
Page 3

of the appropriation to purchase the property has greatly jeopardized the opportunity of the public in the Anchorage area to have a safe place to shoot. This jeopardy is very likely to become permanent unless some alternative money is unearthed to consummate the purchase. The reason for this is that the lease on the property which the Fish and Game Department has is subject to lapse in the near future and it is very likely that the Range Association will decline to lease this property to the Fish and Game Department again. The lease was made upon the tacit understanding that an attempt would be made in some point in time to purchase the property and it now looks as though the purchase itself is not going to be consummated.

I offer the following as arguments in favor of the range and this is not an exhaustive list. First, the range is ultimately a self-supporting facility. It is true that there is an initial outlay for the purchase of the land. However, the land has continuing solid value in the Anchorage area and the State would not be actually spending any money but would have a nice investment in the future. The range can be supported through range fees (which I would rather not see but which will probably become necessary).

Secondly, in not appropriating the purchase of the property one is losing Federal matching funds on a ratio of three to one. This does not represent good economic sense. To cannot avoid paying the tax on our licenses and not to use the money is very wasteful.

A very important consideration and the next reason for going through with the project is that there is no place to shoot in the Anchorage area. The only place where shooting is done is at the supervision by the Fish and Game Department where there had been instances of random shooting, plinking and other unsafe practices in the Anchorage area, many of which have now been reduced through the availability of the range on a regular basis. Unfortunately there are a few shooters who are not responsible and they will engage in these unsafe practices if there is not a safe, alternate place to use which is readily accessible. The next reason for purchasing the property at this time is the reason stated above having to do with the unavailability of this property after the lease expires. It has been suggested by some people that the money be used to purchase property in the Anchorage area which would be used for a variety of purposes. I am sure you that this is not the best use without the expenditure of absolutely phenomenal amounts of money. The best use of money is to purchase a range like this

The Honorable Jay Hammond
August 26, 1976
Page 4

is approximately 5 miles of free flight. Even a small rifle range with 5 miles of backstop buffer would cost an immense amount of money. Suggestions have been made to place the rifle range at the end of the Anchorage International Airport. Naturally the Federal Aviation Agency has objections to having holes shot in commercial aircraft so it is rather reluctant to allow this practice. Another suggestion was property near the Campbell Airstrip. This has two problems, one dealing with the uncertainty of the title to some of this property because of the Native Land Claims and the second problem having to do with the backstop requirements. The Rabbit Creek Range on the other hand has a considerable amount of backstop consisting of mud flats and behind that, Cook Inlet.

Another important consideration is the proximity of this particular gun range to already withdrawn land used for a bird sanctuary; I am specifically referring to the Potter Marsh Refuge. I did not know this myself until recently talking with persons who are in the know on this. Without that gun range, servicing the west side of the sanctuary is next to impossible. After the lease on the property lapses there will be no access to this property as I understand it. I might point out to you also that the gun range has been considered by most observers to be compatible with the wildlife refuge. One can observe this very handily by counting the number of birds in the sanctuary coming in right over the shooting range. This indicates somewhat the birds' concern over Anchorage shooters' marksmanship. They show very little fear of being hit.

This brings me to my final reason for having the gun range which is primarily that shooters in the Anchorage area need a place where they can practice with their weapons safely, without jeopardizing the lives and property of their neighbors and without being a nuisance.

Unfortunately your veto of this bill has been taken by some gun shooters to be an anti-gun stance on your part. Since there are literally thousands of gun enthusiasts in Alaska, the West, and for that matter state-wide, I think that it would be of some concern to you that your position regarding this acquisition is being misinterpreted. I believe that your real reason for vetoing the measure may have been to save money. Frankly, I am concerned with the expenditure by the State of Alaska for the acquisition of a gun range. It is well known that existing gun ranges which are suitable enough to be used to support the Rabbit Creek Range. We are not asking for marble sidewalks,

The Honorable Jay Hammond
August 26, 1976
Page 5

teakwood backstops or any other kind of fancy facility. What we have now is a very minimum facility and we are asking that you not take a position which jeopardizes even this opportunity for marksmanship in the Anchorage area.

I hope that you will find the foregoing facts informative and the arguments persuasive. I believe that your decision may partly be based upon a lack of thorough understanding of the background which gave rise to the legislation appropriating funds to acquire this range.

I hope that your position regarding this legislation does not jeopardize your chances to be supported by the great number of gun shooters and shooting enthusiasts state-wide.

Sincerely,

John W. Pletcher, III

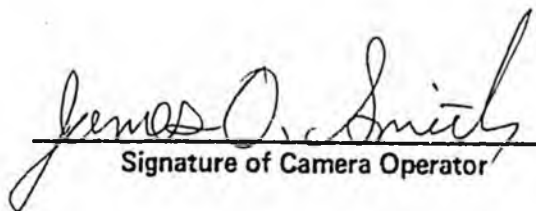
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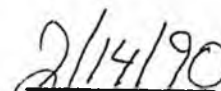


RECORDS CERTIFICATION



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

3/8/77

_____ Date

Mr. President:

The Committee on FINANCE has had HB 152
mental health advisory council
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

AND attaches a report of its intent

(other) See below Recommendation

MEMBERS SIGNING THE MAJORITY REPORT:

John Smith - No Rec.

T. L. ...

Tom ...

MEMBERS NOT CONCURRING IN THE MAJORITY REPORT:

Harry ... recommends: No Rec.

... recommends: _____

recommends: _____

John C. ...
Chairman

May 3, 1977

M E M O R A N D U M

TO: The Honorable Clem Tillion
Senate Finance Committee

FROM: Milt Barker
Legislative Finance Division

SUBJECT: HB 152

As indicated by the attached memo, the creation of a 12 member community mental health advisory board from the SHCC membership would be as difficult as a chess game. Moreover, SHCC has already been appointed and the actual characteristics of existing members do not exactly fit the mental health board requirements. The department indicates that three of the SHCC members would also serve as mental health board members.

MBB:pw

Attachments

FISCAL NOTE

I. REQUEST

Bill/Resolution No. HB 152
 Title MENTAL HEALTH ADVISORY COUNCIL
 Requested by BUDGET & MANAGEMENT Date 12/15/76

II. FISCAL DETAIL

Agency Affected HEALTH & SOCIAL SERVICES
 Program Category Affected HEALTH
 Budget Request Unit(s) Affected COMMUNITY OPERATED MENTAL HEALTH CENTERS

EXPENDITURES (Thousands of Dollars)

	FY 77	FY 78	FY 79	FY 80	FY 81	FY 82
100 PERSONAL SERVICES						
200 TRAVEL		17.3	17.5	17.5	18.0	18.0
300 CONTRACTUAL						
400 COMMODITIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC.						
TOTAL		17.3	17.5	17.5	18.0	18.0

FUNDING (Thousands of Dollars)

GENERAL FUND		17.3	17.5	17.5	18.0	18.0
FEDERAL FUNDS						
OTHER (Specify)						

POSITIONS

FULL TIME						
PART TIME						
TEMPORARY						

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

The Mental Health Advisory Council is being requested to be reinstated in this proposed legislation. If it is reinstated, there would be the above travel associated with this group. Personnel are outside advisors, so there will not be personal services expenses.

IV. DATE December 15, 1976 PREPARED BY J. Price
 AGENCY Mental Health
 PHONE 465-3368
 Original: Legislative Finance
 cc: Budget and Management
 Prime Sponsor (First Legislator Named)

OK

Introduced: 2/1/77
Referred: Health, Education &
Social Services

1 IN THE HOUSE

BY THE RULES COMMITTEE BY
REQUEST OF THE GOVERNOR

2 HOUSE BILL NO. 152

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 TENTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act relating to a mental health advisory council;
7 and providing for an effective date."

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

9 * Section 1. AS 47.30.605 is repealed and re-enacted to read:

10 Sec. 47.30.605. MENTAL HEALTH ADVISORY COUNCIL. (a) There is
11 created a Mental Health Advisory Council appointed by the governor to
12 advise and assist the department in initiating and implementing mental
13 health services. The council consists of 12 appointed voting members
14 who are interested and knowledgeable in mental health. The composition
15 of the council is as provided in the federal Community Mental Health
16 Act (P.L. 94-63).

17 (b) The council shall:

- 18 (1) advise the division on the state mental health plans
- 19 before implementation of these plans;
- 20 (2) periodically review all mental health services in the
- 21 state, reports of which shall be prepared and submitted to the governor,
- 22 the legislature, the department, and the Statewide Health Coordinating
- 23 Council;
- 24 (3) conduct independent investigations and studies as may
- 25 be necessary;
- 26 (4) recommend regulations, standards and legislation for
- 27 the administration of community and institutional mental health services
- 28 (5) encourage coordination of all mental health services on
- 29 a regional basis to insure nonduplication, nonfragmentation, and effi-

1 ciency in the delivery of services;

2 (6) act as a subcommittee of the Statewide Health Coordinat-
3 ing Council in the area of mental health to assist that council in
4 meeting its responsibilities under federal and state law.

5 (c) The council shall meet at the call of the chairman but shall
6 meet at least once quarterly.

7 (d) Members of the council are not entitled to a salary, but are
8 entitled to per diem, reimbursement for travel, and other expenses
9 authorized by law for other boards.

10 * Sec. 2. This Act takes effect immediately in accordance with AS 01.-
11 10070(c).

February 1, 1977

The Honorable Hugh Malone
Speaker of the House
Alaska State Legislature
Juneau, Alaska 99811

Dear Mr. Speaker:

Under the authority of art. III, sec. 18 of the Alaska Constitution, and in accordance with AS 24.30.060(b) and the Uniform Rules of the Alaska State Legislature, I am transmitting a bill which creates a new Mental Health Advisory Council. The former council, created in 1975 (see AS 47.30.605), was to exist only until the Statewide Health Coordinating Council (SHCC) was created. Sec. 2, ch. 121 SLA 1975. The SECC was created by sec. 2, ch. 275 SLA 1976, effective September 27, 1976, and was to assume the responsibilities of the Mental Health Advisory Council set out in AS 47.30.-605(b), among others.

The state is currently receiving some \$700,000 in federal funds for mental health services under the Community Mental Health Centers Act, P.L. 94-63. The federal act requires that the state plan designate a state mental health advisory council. P.L. 94-63 and the implementing guidelines of the U.S. Department of Health, Education, and Welfare require that the state advisory council be composed of certain classes of persons involved in the mental health area.

For example, the council is to consist of representatives of nongovernmental organizations, state agencies concerned with mental health, and both consumers and providers of mental health services. A majority but not more than 60% of the members must be nonproviders of mental health services and not less than 40% must be providers of direct and indirect mental health services. The council's composition must reflect the

social, economic, linguistic, racial, ethnic and geographic composition of the state. The consumer members must include persons who have been users of public mental hospitals or community mental health centers as well as representatives of patient organizations and advocacy groups in the mental health area. A public process for selecting members should be used to the extent possible.

The Statewide Health Coordinating Council cannot meet these compositional requirements if it is to serve its purpose as a comprehensive health planning body. It appears, therefore, that a state mental health advisory body must exist to meet the requirements of P.L. 94-63 as long as the state is receiving federal funds under the Act.

The Division of Mental Health wishes to recreate the council by statute since it believes that funding for members' expenses would be difficult to obtain otherwise. To accomplish this, AS 47.30.605 is repealed and re-enacted, with the new subsections (a), (c), and (d) reading essentially as they did before their repeal at the time the Statewide Health Coordinating Council was created by ch. 275 SLA 1976. Subsection (b) of sec. 605, which was not repealed when the SHCC was created, continues the council's functions as they are currently set out in sec. 605 except that: 1) institutional mental health services as well as community services are specifically included in its area of concern; and 2) the council is designated as a subcommittee of the Statewide Health Coordinating Council to represent the mental health area. These additional functions would not affect the council's compliance with requirements under P.L. 94-63.

Sincerely,

Jay S. Hammond
Governor