LEG. FINANCE - BILLS 1977 - 1978 898
SB 105 cont., thru SB 107 898

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

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

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

Sec. 7. AS 42.05.141 is amended to read:

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

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

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

facilities of a public utility and hold hearings on them;

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

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

(5) may require a public utility to file reports and other information and data.

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

(7) may examine witnesses and offer evidence in any proceeding affecting the state and initiate or participate in judicial proceedings to the extent necessary to protect and promote the interests of the state;

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

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

Sec. AS 42.05.592. CERTIFICATION OF INCOME TO DEPARTMENT OF REVENUE. (a) Upon request of a pipeline carrier the commission shall review the accounts of that carrier and provide a certification to the Department of Revenue either stating that to the best of the commission's knowledge and belief the report of net pipeline income submitted by the carrier under AS 43.20.013 is in accordance with the commission's regulations governing the accounting of income, or that it is not so in accordance, in which case the commission shall identify the deficiencies in the report and, if possible, provide a reporting of the true and correct income.

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

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

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

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

Original sponsor: Rules Committee
by request of the Legislative Council
(for the Subcommittee on Oil and Gas
Leasing and Taxing Policies)

Offered: 4/27/77
Referred: Finance

IN THE SENATE BY THE RESOURCES COMMITTEE

CS FOR SENATE BILL NO. 105

IN THE LEGISLATURE OF THE STATE OF ALASKA

TENTH LEGISLATURE - FIRST SESSION

A BILL

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

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

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

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

(f) For purposes of determining taxable income under (e) of this section that part of income of any corporation derived in Alaska from oil or natural gas production or the transportation of crude oil or natural gas by pipeline, including income from royalties on oil and gas production, shall, notwithstanding sec. 65 of this chapter, be determined by separate accounting under the authority of section 18 of article IV of the Multi-State Compact (AS 43.19.010) and in accordance with secs. 67 - 69 of this chapter.

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

Sec. 43.20.067. DETERMINATION OF OIL AND NATURAL GAS PRODUCTION INCOME. (a) The determination of taxable income attributable to oil and natural gas production in Alaska, as required under sec. 11(f) of this chapter, shall be calculated using gross income and deductions from gross income as defined in this section.

(b) Gross income from oil and gas production in Alaska shall be the value of oil and gas produced 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 income 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 for which no prior deduction has been claimed for income tax purposes;

(3) property taxes actually paid by the corporation taxpayer on producing property and facilities directly associated with producing property, including facilities for the gathering, treating and preparing of the oil or gas for shipment, provided the payments are made after the date of initial production of the property with which they are associated;

(4) the direct costs incurred by the corporation taxpayer in operating oil or gas fields, including the costs of gathering, treating and preparing oil or gas for shipment, but net of any payments received for those services and not including indirect costs and overhead except as provided in (6) of this subsection;

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(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, including depreciation on interest capitalized at a rate not to exceed the average cost of borrowed capital to the corporation taxpayer during the year in which it is capitalized and also including the amortization of lease acquisition payments and property taxes paid for or on producing properties before the commencement of production on the leasehold, facilities or investment associated with it;

(6) interest expense not capitalized, to the extent that it does not exceed a portion of total interest paid by the corporation, its subsidiaries and affiliates, determined by multiplying total interest paid by a fraction the numerator of which is the book value of the corporation's fixed assets in and associated with the producing properties in Alaska and the denominator of which is the book value of all fixed assets held by the corporation, its subsidiaries and affiliates;

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

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

(e) Deductions from gross income under this section shall not include expenses previously deducted on a return filed under this chapter.

Sec. 43.20.063. DETERMINATION OF CRUDE OIL AND NATURAL GAS

PIPELINE TRANSPORTATION INCOME. (a) Taxable income attributable to the transportation of crude oil in interstate commerce in Alaska shall be the sum of the amount reported to the Interstate Commerce Commission under the category "net balance transferred from income" as specified as of January 1, 1977 in 49 CFR 10 Part 1204, account 700 and of federal income taxes paid as specified as of January 1, 1977 in 49 CFR 10 Part 1204, accounts 670 and 695, and of taxes actually paid under sec. 11(c) of this chapter. A tax return reporting that income shall be accompanied by a certification from the Alaska Pipeline Commission to the effect that to the best of the commission's knowledge and belief the income calculation has been made in accordance with the principles established by the Interstate Commerce Commission, or, if in the opinion of the commission, the income is not reported in accordance with the regulations of the Interstate Commerce Commission, then a statement to that effect, identifying the deficiencies of the report and, if possible, providing a reporting of the true and correct income.

(b) Taxable income attributable to the transportation of natural gas in interstate commerce in Alaska shall be the sum of the amount reported to the Federal Power Commission under the category "balance transferred from income" as specified in 18 CFR 1, Part 201, account 433 and of federal income taxes paid as specified as of January 1, 1977 in 18 CFR 1, Part 201, accounts 409, 409.1, 409.2 and 409.3, and of taxes actually paid under sec. 11(e) of this chapter. A tax return reporting that income shall be accompanied by a certification from the Alaska Public Utilities Commission to the effect that to the best of the commission's knowledge and belief the income calculation has been made in accordance with the principles established by the Federal Power Commission, or, if in the opinion of the commission, the income is not reported in accordance with the regulations of the Federal Power

Commission, then a statement to that effect, identifying the deficiencies of the report and, if possible, providing a reporting of the true and correct income.

(c) Taxable income attributable to the transportation of crude oil in Alaska of any corporation not under Interstate Commerce Commission jurisdiction, or of a corporation under the Interstate Commerce Commission but not reporting the operation of pipelines in Alaska separately from the operation of pipelines elsewhere, shall be an amount equal to that which would have been reported to the Interstate Commerce Commission under (a) of this section had the corporation been, in fact, under Interstate Commerce Commission jurisdiction for the taxable year and required to report on the operation of Alaska pipelines separately from the operation of pipelines elsewhere. A tax return reporting that income shall be accompanied by a certification from the Alaska Pipeline Commission to the effect that to the best of the commission's knowledge and belief the income calculation has been made in accordance with the principles established by the Interstate Commerce Commission, or, if in the opinion of the commission, the income is not reported in accordance with the regulations of the Interstate Commerce Commission, then a statement to that effect, identifying the deficiencies of the report and, if possible, providing a reporting of the true and correct income.

(d) Taxable income attributable to the transportation of natural gas in Alaska by any corporation not under the jurisdiction of the Federal Power Commission, or of a corporation under Federal Power Commission jurisdiction but not reporting the operation of Alaska pipelines separately from the operation of pipelines elsewhere, shall be an amount equal to that which would have been reported to the Federal Power Commission under (b) of this section had the corporation been, in fact, under Federal Power Commission jurisdiction for the taxable year and required to report on the operation of Alaska pipelines separately from the operation of pipelines elsewhere. A tax return reporting that income shall be accompanied by a certification from the Alaska Public Utility Commission to the effect that to the best of the commission's knowledge and belief the income calculation has been made in accordance with the principles established by the Federal Power Commission, or, if in the opinion of the commission, the income is not reported in accordance with the regulations of the Federal Power Commission, then a statement to that effect, identifying the deficiencies of the report and, if possible, providing a reporting of the true and correct income.

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

(f) Nothing in this section or in sec. 67 of this chapter limits a corporate taxpayer's right to appeal or the taxpayer remedies provided under ch. 5 of this title.

Sec. 43.20.069. DETERMINATION OF INCOME FROM OTHER ACTIVITIES OF CORPORATIONS ENGAGED IN OIL OR NATURAL GAS PRODUCTION OR TRANSPORTATION. Taxable income from activities other than oil or natural gas production or pipeline transportation shall be determined by subtracting the income as determined under secs. 67 and 68 of this chapter from the corporation's combined net income and applying the apportionment formula required under the provisions of sec. 65 of this chapter, except that both the numerator and the denominator of the property factor and the payroll factor shall be calculated without reference to payroll or property related to crude oil or natural gas production or pipeline transportation activity in Alaska, and the sales factor shall not be used in the calculation.

Sec. 43.20.070. PUBLIC REPORTING. Notwithstanding the provisions of AS 43.05.230, the commissioner of revenue shall compile and transmit to the legislature an annual consolidated report of state revenues and taxation policies under this chapter. This report shall include total Alaska income tax paid by firms and individuals covered under this chapter and itemized deductions by category.

* Sec. 4. AS 43.20 is amended by adding a new section to read:

Sec. 43.20.075. BOOKS AND RECORDS. The department may provide by regulation the manner in which books and records must be kept and maintained for purposes of determining gross income and deductions from gross income under secs. 67 - 69 of this chapter.

* Sec. 5. AS 43.20.335 is amended by adding new subsections to read:

(k) Any person who improperly influences, or attempts to improperly influence, by means of payment or offer of payment or other valuable consideration, any state official in his determination of values and apportionments under this chapter is guilty of bribery and punishable under AS 11.30.040.

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

* Sec. 6. AS 42.06.140 is amended by adding a new paragraph to read:

(11) shall provide all reasonable assistance to the

Department of Revenue in determining the net income from oil pipeline facilities.

* Sec. 7. AS 42.06 is amended by adding a new section to read:

Sec. 42.06.041. CERTIFICATION OF INCOME TO DEPARTMENT OF REVENUE. (a) Upon request of a pipeline carrier the commission shall review the accounts of that carrier and provide a certification to the Department of Revenue either stating that to the best of the commission's knowledge and belief the report of net pipeline income submitted by the carrier under AS 43.20.069 is in accordance with the commission's regulations governing the accounting of income, or that it is not so in accordance, in which case the commission shall identify the deficiencies in the report and, if possible, provide a reporting of the true and correct income.

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

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

* Sec. 8. AS 42.05.141 is amended to read:

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

(1) may regulate every public utility engaged or proposing to engage in such a business inside the state, except to the extent

excepted by sec. 711 of this chapter and the powers of the commission shall be liberally construed to accomplish its stated purposes;

(2) may investigate, upon complaint or upon its own motion, the rates, classifications, rules, regulations, practices, services and facilities of a public utility and hold hearings on them;

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

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

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

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

(7) may examine witnesses and offer evidence in any proceeding affecting the state and initiate or participate in judicial proceedings to the extent necessary to protect and promote the interests of the state;

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

* Sec. 9. AS 42.05 is amended by adding a new section to read:

Sec. 42.05.502. CERTIFICATION OF INCOME TO DEPARTMENT OF REVENUE. (a) Upon request of a pipeline carrier the commission shall review the accounts of that carrier and provide a certification to the Department of Revenue either stating that to the best of the commission's knowledge and belief the report of net pipeline income submitted by the carrier under AS 43.20.069 is in accordance with the commission's regulations governing the accounting of income, or that it is not so in accordance, in which case the commission shall identify the deficiencies in the report and, if possible, provide a reporting of the true and correct income.

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

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

* Sec. 10. This Act relates only to income earned or received after December 31, 1976.

* Sec. 11. This Act takes effect January 1, 1978.

THE LEGISLATURE OF THE STATE OF ALASKA
TENTH LEGISLATURE

FISCAL NOTE

I. REQUEST
Bill/Resolution No. SB 105
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)

	FY 77	FY 78	FY 79	FY 80	FY 81	FY 82
GENERAL FUND		18.4	32.9			
FEDERAL FUNDS						
OTHER (Specify)						

POSITIONS

	FY 77	FY 78	FY 79	FY 80	FY 81	FY 82
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 II who would be responsible for examining the tax returns for intrastate pipelines.

Detailed expense estimate attached

Effective date: January 1, 1978

IV. DATE 2/25/77 PREPARED BY Susan D. Knowles [illegible]
AGENCY Alaska Public Utilities Commission
PHONE 272-1487

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

11-001 (Rev. 10/76)

FISCAL NOTE

Re SB 105

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	830
		$33824

THE LEGISLATURE OF THE STATE OF ALASKA
TENTH LEGISLATURE

FISCAL NOTE

I. REQUEST
Bill/Resolution No. SB 105
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)

	FY 77	FY 78	FY 79	FY 80	FY 81	FY 82
GENERAL FUND		18.4	32.9			
FEDERAL FUNDS						
OTHER (Specify)						

POSITIONS

	FY 77	FY 78	FY 79	FY 80	FY 81	FY 82
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 II who would be responsible for examining the tax returns for intrastate pipelines.

Detailed expense estimate attached

Effective date: January 1, 1978

IV. DATE 2/25/77 PREPARED BY Susan B. Knowles ...
AGENCY Alaska Public Utilities Commission
PHONE 272-1487

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

33 001 (Rev. 10/76)

FISCAL NOTE

Re SB 105

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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	830
		$33824

THE LEGISLATURE OF THE STATE OF ALASKA
TENTH LEGISLATURE

FISCAL NOTE

I. REQUEST

Bill/Resolution No. SB 105
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	39.2	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)

	FY 77	FY 78	FY 79	FY 80	FY 81	FY 82
GENERAL FUND	0	19.6	39.0	40.9	42.9	45.0
FEDERAL FUNDS						
OTHER (Specify)						

POSITIONS

	FY 77	FY 78	FY 79	FY 80	FY 81	FY 82
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 272-0583

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

33 001 (Rev. 10/76)

THE LEGISLATURE OF THE STATE OF ALASKA
TENTH LEGISLATURE

FISCAL NOTE

I. REQUEST

Bill/Resolution No. SB 105

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	39.2	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)

	FY 77	FY 78	FY 79	FY 80	FY 81	FY 82
GENERAL FUND	0	19.6	39.0	40.9	42.9	45.0
FEDERAL FUNDS						
OTHER (Specify)						

POSITIONS

	FY 77	FY 78	FY 79	FY 80	FY 81	FY 82
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 279-0581

Original Legislative Finance

cc. Budget and Management

Prime Sponsor (First Legislator Named)

22-001 (Rev. 10/76)

THE LEGISLATURE OF THE STATE OF ALASKA
TENTH LEGISLATURE

FISCAL NOTE

I. REQUEST
Bill/Resolution No. Senate Bill No. 105
Title An Act relating to the Alaska net income tax.
Requested by Senate 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	455.0	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 [signature]
AGENCY Audit Division
PHONE 465-2320

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

15 001 (Rev. 10/76)

THE LEGISLATURE OF THE STATE OF ALASKA
TENTH LEGISLATURE

FISCAL NOTE

I. REQUEST
Bill/Resolution No. Senate Bill No. 105
Title An Act relating to the Alaska net income tax.
Requested by Senate 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	455.0	502.3	501.5

FUNDING (Thousands of Dollars)

GENERAL FUND	-0-	105.7	501.0	455.0	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 [signature]
AGENCY Audit Division
PHONE 465-2320

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

33 001 (Rev. 10/76)

02-018

STATE
of ALASKA

MEMORANDUM

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

DATE: February 3, 1977

FROM: Gary L. Jenkins
Director
Audit Division

SUBJECT: Senate Bill 105

Senate Bill 105 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:rdh

02-001B

STATE
of ALASKA

MEMORANDUM

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

DATE: February 3, 1977

FROM: Gary L. Jenkins
Director
Audit Division

SUBJECT: Senate Bill 105

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GLJ:mh

In SFC 4-27-77

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)

IN THE SENATE

SENATE BILL NO. 105

IN THE LEGISLATURE OF THE STATE OF ALASKA

TENTH LEGISLATURE - FIRST SESSION

A BILL

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

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

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

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

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

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

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

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

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

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

(b) If no ICC valuation has been made of an interstate oil pipeline facility or if the oil pipeline facilities are engaged wholly or partially in intrastate commerce, net income shall be determined in accordance with regulations established by the Alaska Pipeline Commission under AS 4_ 06.041. A tax return reporting this income shall be accompanied by a certification from the Alaska Pipeline Commission to the effect that to the best of the commission's knowledge and belief the income calculation has been made in accordance with the principles established in regulations adopted by the commission, or, if the income is not, in the opinion of the commission, reported in accordance with its regulations, then a statement to that effect, identifying the deficiencies in the report and, if possible, providing a reporting of the true and correct income.

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

(d) A corporation's taxable income from the transportation of natural gas shall be determined for interstate natural gas pipelines in conformance with the reporting procedures established by the Federal Power Commission, and for intrastate pipelines in conformance with procedures established by the Alaska Public Utilities Commission. A tax return reporting income from the intrastate transportation of natural gas by pipeline shall be accompanied by a certification from the Alaska Public Utilities Commission to the effect that to the best of the commission's knowledge and belief the income calculation has been made in accordance with the principles established in regulations adopted by the commission, or, if the income is not, in the opinion of the commission, reported in accordance with its regulations, then a statement to that effect, identifying the deficiencies in the report and, if possible, providing a reporting of the true and correct income.

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

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

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

Sec. 43.20.015. PUBLIC REPORTING. Notwithstanding the provisions of AS 43.05.230, the commissioner of revenue shall compile and transmit to the legislature an annual consolidated report of state revenues and taxation policies under this chapter. This report shall include total Alaska income tax paid by firms and individuals covered under this chapter, itemized deductions by category and the tax cost of these deductions. For purposes of this section, "tax cost" means the amount of revenue which the state would have collected had not a specific deduction been allowed. Also included in the report shall be a summary of each corporate tax return filed which shows income from the production of oil or natural gas, showing the total amount of oil and gas produced by or for each taxpayer, the taxable income of the corporation from production as reported in accordance with sec. 12 of this chapter, from pipeline transportation as reported in accordance with sec. 13 of this chapter, from other income allocated to the state under sec. 14 of this chapter, and the tax due.

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

(f) Any person who improperly influences, or attempts to improperly influence, by means of payment or offer of payment or other valuable consideration, any state official in his determination of values and apportionments under this chapter shall be guilty of bribery and punishable under AS 11.30.040.

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

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

(11) shall provide all reasonable assistance to the Department of Revenue in determining the net income from oil pipeline facilities.

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

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

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

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

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

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

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

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

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

facilities of a public utility and hold hearings on them;

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

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

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

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

(7) may examine witnesses and offer evidence in any proceeding affecting the state and initiate or participate in judicial proceedings to the extent necessary to protect and promote the interests of the state;

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

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

Sec. AS 42.05.502. CERTIFICATION OF INCOME TO DEPARTMENT OF REVENUE. (a) Upon request of a pipeline carrier the commission shall review the accounts of that carrier and provide a certification to the Department of Revenue either stating that to the best of the commission's knowledge and belief the report of net pipeline income submitted by the carrier under AS 43.20.013 is in accordance with the commission's regulations governing the accounting of income, or that it is not so in accordance, in which case the commission shall identify the deficiencies in the report and, if possible, provide a reporting of the true and correct income.

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

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

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

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

THE LEGISLATURE OF THE STATE OF ALASKA
TENTH LEGISLATURE

FISCAL NOTE

I REQUEST
Bill/Resolution No. SB 105
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	10.6			
200 TRAVEL						
300 CONTRACTUAL		2.1	2.1			
400 COMMODITIES		.2	.2			
500 EQUIPMENT		.6				
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC.						
TOTAL		18.2	12.9			

FUNDING (Thousands of Dollars)

	FY 77	FY 78	FY 79	FY 80	FY 81	FY 82
GENERAL FUND		18.2	12.9			
FEDERAL FUNDS						
OTHER (Specify)						

POSITIONS

	FY 77	FY 78	FY 79	FY 80	FY 81	FY 82
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 II who would be responsible for examining the tax returns for intrastate pipelines.

Detailed expense estimate attached

Effective date: January 1, 1978

IV DATE 2/25/77 PREPARED BY Susan D. Cromley [illegible]
AGENCY Alaska Public Utilities Commission
PHONE 272-1487

Original Legislative Finance
cc Budget and Management
Prime Sponsor (Law) Legislative Summit

11 001 (Rev. 10/76)

FISCAL NOTE

Re SB 105

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	830
		$33824

THE LEGISLATURE OF THE STATE OF ALASKA
TENTH LEGISLATURE

FISCAL NOTE

I. REQUEST
Bill/Resolution No. SB 105
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	39.2	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)

	FY 77	FY 78	FY 79	FY 80	FY 81	FY 82
GENERAL FUND	0	19.6	39.0	40.9	42.9	45.0
FEDERAL FUNDS						
OTHER (Specify)						

POSITIONS

	FY 77	FY 78	FY 79	FY 80	FY 81	FY 82
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 3/9/77 PREPARED BY William L. Murray
AGENCY Alaska Pipeline Commission
PHONE 272-0581

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

11-001 (Rev. 10/76)

THE LEGISLATURE OF THE STATE OF ALASKA
TENTH LEGISLATURE

FISCAL NOTE

I. REQUEST
Bill/Resolution No. Senate Bill No. 105
Title An Act relating to the Alaska net income tax.
Requested by Senate 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	455.0	502.3	501.5
FEDERAL FUNDS						
OTHER (Specify)						

POSITIONS

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

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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 [signature]
AGENCY Audit Division
PHONE 465-2320

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

33 001 (Rev. 10/76)

02-001

STATE
of ALASKA

MEMORANDUM

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

DATE: February 3, 1977

FROM: Gary L. Jenkins
Director
Audit Division

SUBJECT: Senate Bill 105

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GLJ:nh

Kathy
indef.

Comments of the Alaska Public Utilities Commission

SB 105

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.

[illegible]

[illegible]

Second Session - Ninth Legislature
First • Tenth

I. REQUEST

Bill No. SB 105

Title: [illegible]

Requested by: ______ Date: ______

Return Date Requested: ______

Agency: Commerce Program: Public Protection

II. FISCAL DETAIL

Budget Request Unit(s) Affected: ______

A. EXPENDITURES: (Thousands of dollars)

	OBJECT	FY 76	FY 77	FY 78	FY 79	FY 80	FY 81
100	PERSONAL SERVICES		0	15.3	30.6		
200	TRAVEL		0				
300	CONTRACTUAL		0	2.1	2.1		
400	COMMODITIES		0	.2	.2		
500	EQUIPMENT		0	.8			
600	LAND & STRUCTURES						
700	GRANTS, CLAIMS, ETC.						
	TOTAL			18.4	32.9		

B. FUNDING: (Thousands of dollars)

	FY 76	FY 77	FY 78	FY 79	FY 80	FY 81
GENERAL FUND			18.4	32.9		
FEDERAL FUNDS						
OTHER						

C. POSITIONS:

	FY 76	FY 77	FY 78	FY 79	FY 80	FY 81
PERMANENT/TEMPORARY	/	/	1/	1/	/	/
MAN MONTHS (P/T)	/	/	[illegible]/	12/	/	/

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 pipelines.

IV. ATTACHMENTS

Detailed expense estimate

V. DATE: ______ PREPARED BY: ______

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

[illegible]

FISCAL NOTE

Re SB 105

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	830
		$33824

Kathy i[illegible]

Comments of the Alaska Public Utilities Commission

SB 105

The certification procedure envisioned by the proposed legislation is a significant extension of the Commission's responsibilities because of both the scop 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.

Second Session - Ninth Legislature
First Tenth

I. REQUEST

Bill No. SB 105
Title: An Act [illegible] Tax
Requested by: ______ Date: ______
Return Date Requested: ______
Agency: Commerce Program: Public Protection

II. FISCAL DETAIL

Budget Request Unit(s) Affected: ______

A. EXPENDITURES: (Thousands of dollars)

	OBJECT	FY 76	FY 77	FY 78	FY 79	FY 80	FY 81
100	PERSONAL SERVICES		0	15.3	30.6		
200	TRAVEL		0				
300	CONTRACTUAL		0	2.1	2.1		
400	COMMODITIES		0	.2	.2		
500	EQUIPMENT		0	.8			
600	LAND & STRUCTURES						
7	GRANTS, CLAIMS, ETC.						
	TOTAL			18.4	32.9		

B. FUNDING: (Thousands of dollars)

	FY 76	FY 77	FY 78	FY 79	FY 80	FY 81
GENERAL FUND			18.4	32.9		
FEDERAL FUNDS						
OTHER						

C. POSITIONS:

	FY 76	FY 77	FY 78	FY 79	FY 80	FY 81
PERMANENT/TEMPORARY	/	/	1/	1/	/	/
MAN MONTHS (P/T.)	/	/	6/	12/	/	/

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 pipelines.

IV. ATTACHMENTS

Detailed expense estimate

V. DATE: ______ PREPARED BY: ______

Copies to: Legislative Finance
Budget and Management
Prime Sponsor (First Legislator Named)

[illegible]

FISCAL NOTE

Re SB 105

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	830
		$33824

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.

[illegible]
Signature of Camera Operator

2/26/90
Date

02-819 (REV 8/78)

COMMITTEE REPORT

SENATE

FURTHER: None

2/10/78

Date:

Mr. President:

The Committee on FINANCE has had SSSB 107

North Slope Haul Road

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

( ) recommends it do pass ( ) recommends it do not pass

( ) recommends it do pass with attached amendment(s)

( ) recommends it be replaced with CS for

and ( ) new title ( ) same title

( ) AND attaches a Letter of Intent ( ) New Fiscal Note

( ) reports it back without recommendation

( ) and recommends it be referred to the Committee

MEMBERS SIGNING DO PASS:

OTHER RECOMMENDATIONS:

Chairman

S 60 (rev. 6/77)

COMMITTEE REPORT

SENATE

**Finance

2/1/77

April 15, 1977 Date

Mr. President:

The Committee on STATE AFFAIRS has had SB 107
North Slope Haul Road
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~~ individual recommendation

/_/ AND attaches a report of its intent

/_/ (other) ____________

MEMBERS SIGNING THE MAJORITY REPORT:

J. Kelly — ~~Do pass~~ ~~No Recommendation~~ Do-Pass

[signature] — No Rec

John Huber — Do Pass

MEMBERS NOT CONCURRING IN THE MAJORITY REPORT:

____________ recommends: ____________

____________ recommends: ____________

____________ recommends: ____________

J. Kelly, Chairman

S 60

Introduced: 2/10/76
Referred: ~~State Affairs and~~
Finance

IN THE SENATE BY HUBER

SPONSOR SUBSTITUTE FOR SENATE BILL NO. 107

IN THE LEGISLATURE OF THE STATE OF ALASKA

TENTH LEGISLATURE - SECOND SESSION

A BILL

For an Act entitled: "An Act relating to the North Slope Haul Road."

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

* Section 1. AS 19.10 is amended by adding a new section to read:

Sec. 19.10.105. NORTH SLOPE HAUL ROAD. (a) The North Slope Haul Road is designated part of the state highway system, effective on the date of transfer to the state under terms of the contract between the Alyeska Pipeline Service Company and the state.

(b) The department may not give preferential access to the North Slope Haul Road to any group of users. Whenever the highway is open, it shall be open to the general public.

(c) As a minimum the department shall maintain the highway for use by the general public from May 1 to September 30 of each year. The department may enter into agreements with users of the highway for its maintenance for the period from October 1 to April 30, but these agreements may not limit use of the highway by the general public.

(d) In the event of conflict between this section and other portions of this title, the provisions of this section shall govern.

* Sec. 2. AS 38.05.035(a) is amended by adding a new paragraph to read:

(15) classify and make available for disposition under state law land of the state along the North Slope Haul Road which may, in the director's judgment, be necessary to serve the traveling public; pending classification, the director shall issue temporary-use permits for no more than a five-year period, with one renewal for a five year term, to applicants who agree to provide necessary services for the traveling

public; the director, with the approval of the commissioner, shall determine the land to be made available under this paragraph and the limitations, conditions, and terms of the permit; the permits shall be offered at public auction to the highest bidder; after classification, a permit holder has the rights granted under the permit and the right to meet the highest bid offered at the first disposal of the land subject to the permit after the expiration of the permit.

* Sec. 3. AS 44.33.020 is amended by adding a new paragraph to read:

(22) assist persons wishing to provide services to travelers on the North Slope Haul Road in obtaining the use of existing facilities and the creation of new facilities.

ALASKA STATE LEGISLATURE

TENTH Legislature FIRST Session

55

SENATE BILL NO. 107

By BUBER

"An Act relating to the North Slope Haul Road."

North Slope Haul Road

Introduced in the Senate 2/17, 1977

HISTORY IN THE SENATE

19 77		
		Read first time and referred to Committee on
2	1	State Affairs and Finance
2/10/78		SS State - Fin
		Reported back with [illegible] recommendation that [illegible]
		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
Sent to House

SECRETARY OF THE SENATE

HISTORY IN THE HOUSE

19

Read first time and referred to Committee on

Reported back with recommendation that

Read second time and

Read third time and

PASS	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
Returned to Senate

CHIEF CLERK OF THE HOUSE

HISTORY IN THE SENATE

19

Received from House

Reported correctly enrolled

Sent to Governor

By Governor

Filed with Lt. Governor

Chapter No

Introduced: 2/10/78
Referred: State Affairs and Finance

IN THE SENATE BY HUBER

SPONSOR SUBSTITUTE FOR SENATE BILL NO. 107

IN THE LEGISLATURE OF THE STATE OF ALASKA

TENTH LEGISLATURE - SECOND SESSION

A BILL

For an Act entitled: "An Act relating to the North Slope Haul Road."

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STATE
of ALASKA

MEMORANDUM

TO: Honorable Jay S. Hammond
Governor of Alaska
Juneau

DATE: February 4, 1976

GO-2505

FROM: Walter B. Parker
Commissioner
Department of Highways

SUBJECT: Interim Report of the
Task Force on the
Yukon-Prudhoe Bay Road

Wact

In the short time since its constitution, this past November, the Task Force has devoted itself to defining the policy questions which must be addressed in a coherent, coordinated State approach to this issue. It seems fair to say that the ultimate impacts of the State decision (or non-decision) in this matter will rank with the discovery of the Prudhoe field itself in long-range importance. While the Task Force is aware of the increasing desire of many in Alaska, and in the Legislature, to arrive at an early decision with regard to the disposition of the haul road, it is unmistakably clear to the Task Force membership that the issues involved are too complex to permit a hasty policy. To do something (or nothing) inevitably precludes other potential opportunities - some of whose costs or benefits are measurable in money terms and some whose measures are more subjective, but nonetheless real. There is, moreover, a very significant element of political judgment required with regard to the TAPS road for which no amount of analysis can substitute. To what extent should the potential mineral resources of the Brooks Range determine the management of known, existing surface resources - most particularly natural values? Should users of the TAPS road, assuming it is opened to limited traffic, be charged with the maintenance and management costs involved or, like other State transportation services, should the costs be shifted in whole or in some degree to the general public? Some Task Force members have emphasized that, with respect to certain types of development, particularly mining, there is an extraordinarily long gestation period between exploration and initial return to the investor. In some cases 30 years is a reasonable period. Therefore, [illegible] would cost to the developer for road maintenance affect development of significant fields?

This issue is unusual in that development, or non-development, for vast areas is completely controlled by the status of the road which is under the direct jurisdiction of the State. The remainder of this report will present data on the status of the road with regard to financial, legal, environmental and developmental impacts.

Option I. Road closure - after Alyeska finishes pipeline.

Financial Impacts

The State has spent over $944,000 of federal funds on the road in engineering costs which, in the event that it is closed to the public, would require reimbursement to the government. Moreover, the federal share of the Yukon River Bridge, amounting to more than $24 million, could possibly be subject to reimbursement, should the FHWA rule that the closure of the road was, effectively, closure of the bridge.

<u>Legal Questions</u>, <u>Environmental Questions</u>
Relatively few.

<u>Developmental Impacts</u>
The Department of Commerce and Economic Development has noted that important mineral deposits may exist in the Brooks Range whose development, possibly with the aid of Alaskan royalty gas, would be precluded by road closure.

The single unequivocal need for the road in the near future appears to be in connection with a trans-Alaskan gas pipeline. A decision on this matter from the FPC is not expected until next year. Another need which could develop rapidly would be the need for the road for logistic support in PET 4 exploration. In the meantime, the latest information we have indicates that, as the oil pipeline is completed, the demolition of existing camps will begin within 45 days. This would then require reconstruction of the camps by El Paso, should an Alaskan route be selected. While the various State departments are currently investigating their need for future housing and service facilities along the road, it seems fair to say there will never be a need for facilities at the level they are now maintained (i.e. capacity for 20,000 people). This subject will be dealt with more completely in a supplementary report available within about two weeks.

Option II. Seasonal, limited opening of the road to public use.

This option is necessarily the most complicated in that there are a great many possible combinations of restrictions which might be used with respect to the road. The attached chart attempts to summarize some of the more widely discussed of these options.

Any opening of the road to public use may be expected to have the following types of impacts:

1. <u>Financial</u>
   The public costs associated with any road opening are staggering. Road maintenance costs could be expected to total around $2 million for the four-month summer season. Public Safety estimates costs at about $2,700,000 for the first full year, of which $2.2 million is for buildings. Thereafter about $650,000 per year or $300,000 for the summer season. CRA indicates that experience with community development under arctic conditions elsewhere suggests extremely high public capital costs - the City of Barrow is currently considering some $60.5 million in public capital expenditures for the period 1975-1980, while the planned City of Lost River predicted some $100 million in such costs. It is estimated that the construction of the existing camps cost the oil industry in the neighborhood of $800,000,000.

It seems highly unlikely that there will be, in the near future, a tax base anywhere except at Prudhoe itself to support such expenditures locally, but Prudhoe can support a large budget.

2. Legal

The TAPS road is currently classified as a part of the State Secondary System. Once the road is accepted by the State and opened to public travel certain management options may be foreclosed. Roadway maintenance and public safety have long been the basis for regulation of traffic on public highways. However, selective traffic regulation such as granting permits, requiring persons to take busses, or allowing only commercial trucking, are on much shakier legal ground. Precedents such as the Parks Highway through McKinley Park are not completely applicable in that the Park Service is responsible for the road as an adjunct to land management activities, while the State is generally considered to have broader responsibilities with regard to State-owned public roads. Creation of a toll road makes the route ineligible for federal assistance, which would result in additional costs to the State.

3. Environmental

Environmental impacts are largely dependent upon the numbers of persons who are allowed to use the road and the degree of regulation. DEC suggests that sewage, solid waste, oil spills, off-road vehicles and non-point source water pollution are likely to be the greatest sources of immediate environmental dangers.

Environmental damage is, to some extent, inevitable if the road is opened to the public. Corridor management as a State park might provide the regulatory framework for minimizing such risks.

4. Developmental

The basic questions regarding haul road developmental impacts concern:

a) the extent to which an economic base will be generated due to the presence of the road itself (such as tourist facilities at Gates of the Arctic Park, summer homes, federal and State facilities;

b) the extent to which the opening of the road would trigger resource exploitation activities.

Neither of these questions can be answered adequately at the present time. It is fair to say, however, that members of the Task Force have yet to be shown a relationship between any specific type of development and public access via the road. On the other hand, there are certainly many types of development that would be precluded by closure of the road. Certainly mineral development would be significantly more expensive from the developer's standpoint.

It is clear that any policy on the haul road must also be a policy on land management in the northern third of the State. The Department of Natural Resources is currently in the final phases of a comprehensive report on this subject.

Option III: Unrestricted public access year-round.

Because of the exceedingly high public costs already mentioned, the Task Force has not given serious consideration to this option.

Attachment

CC: Transportation Planning

WBP/JLU/mth

STATE
of ALASKA

MEMORANDUM

DEPARTMENT OF NATURAL RESOURCES
OFFICE OF THE COMMISSIONER

RECEIVED
FEB [illegible]
Planning & Research Div.

TO: Walter Parker, Commissioner
Department of Highways

DATE: February 5, 1976

FROM: Guy R. Martin
Commissioner

Guy Martin

SUBJECT: Haul Road Policy

Attached to this memorandum is a draft copy of the Department of Natural Resources' policy submission to the Haul Road Task Force. I am submitting it in draft form so that you may make earliest possible use of this material as State position on this issue is formulated. I do, however, wish to make two statements with regard to the draft being submitted.

First, the Department of Natural Resources work on this issue is ongoing, and I expect that this draft would be substantially improved upon in the following weeks as we do additional research and analysis on this topic.

Second, I think it is important for you to know that the attached policy document is written only from the perspective of the Department of Natural Resources and its statutory responsibilities under the law. As further policy discussions are held on this matter, it will have to be measured against other balancing considerations, and a policy created which reflects more than the consideration of a single department and its responsibilities. I will, of course, be interested in taking a major part as those policy considerations are hammered out. I hope the attached material is of help.

RECEIVED
FEB 6 1976
[illegible]

ACCESS OPTIONS

CESS

R E S T R I C T I O N S A C C E S S	RESTRICTED ACCESS								NO RESTRICTIONS
R	Summer Only								
E S	Partial Route								
T	Truck Only								
R I	Tourist Transit								
C	Tolls								
T I	Camping Prohibited								
O	ORV Prohibited								
N	Limited No of People								
S O	Limited Stops for Private Autos								
N									

A C· In the range of restricted access, columns represent potential strategies. There may be any combination of the specific restriction.

C E S S

ASSOCIATED DEVELOPMENTAL IMPACTS

Direct Costs to State of Alaska

___ Law Enforcement

___ Road Maintenance

___ Environmental Enforcement

___ Local Public Services, i.e., education, H & SS, DPW. Must provided by State or Federal government as very low local bases.

___ ADF & G Management Costs

___ ADL - Parks cost to manage

Social & Environmental Costs

Denial of existing communitie significant State & Federal A required for new haul road development.

High pollution potential expe with unrestricted private auto access.

Also, very high cost of solid sewage waste disposal.

HAUL ROAD POLICY

The Department's position on the use of the Yukon-Prudhoe road is that the greatest benefit at the least cost to the State would result from limitation of use to natural resource development activities under controlled conditions. It is suggested that the current limited use status of the road be maintained at least until such time as several unresolved issues are determined.

We feel that the State of Alaska can best decide on these issues unencumbered by any additional pattern of surface transportation use. Once these issues are decided, for better or worse from Alaska's viewpoint, a decision on the further use of the road will serve the determined land use, rather than itself be a determinant of land use.

I. The unresolved situations and issues which concern this Department that would affect a long-term haul road use decision include the following:

A. Additional pipelines.
As long as there is a possibility of additional oil or natural gas pipelines within all or part of the pipeline corridor north of the Yukon River, it would appear to be in the best interest of the State to retain the present limitation of haul road use to enable efficient and unencumbered construction thereof, with a minimum of additional road building. The State will be in a stronger position to influence alignment, construction methods, and material use of such projects if it has not meanwhile reduced the suitability of the road as a construction base by committing part of its capacity to nonconstruction use.

B. "Interim" management.
Considerable time will pass prior to the conveying of title to native corporation selections, prior to transfer of authority over national system (D-2) lands, and prior to patenting of state selections. During this time, such lands are under the interim management of BLM. At this time it is not clear what the various interim management arrangements are, or whether they may be advantages to the State. To the extent that land use should determine transportation patterns and roads, not the reverse, a decision on haul road use should await establishment of interim management arrangements. Further, in not committing the haul road to any additional use or access for now, the State holds an unexpected bargaining chip with which to influence decisions on interim management.

C. National system (D-2) lands.
The Yukon-Prudhoe road lies near some of the ANCSA (D-2) withdrawals,
notably Gates of the Arctic Park withdrawal, and potentially influ-
ences most of the withdrawals north of the Yukon. Some of the extant
D-2 bills or positions, particularly the State's, feature cooperative
management zones, as well as provisions for various kinds of federal-
state-private coordination even within "core" areas, presenting oppor-
tunities for State participation in national system land management.
Any pre-emption of regional land management options by a major trans-
portation decision would limit the State's effectiveness in influencing
a final congressional determination of the D-2 issue and in working
within an eventual system of cooperative management.

D. Zoning authority in the unorganized borough.
The Alaska Division of Lands has this authority by statute, but it has
not yet been implemented by regulation. Time and experience will de-
termine how this mandate may be most effectively and equitably discharged,
but a simplified zoning system should get under way soon, to give Alaskans
in the unorganized borough some control over the use of the land on which
they depend, beyond the boundaries of their incorporated municipalities.
In most areas of the State this opportunity will be limited by existing
patterns of land use, including transportation. In the unorganized bor-
ough north of the Yukon, the rural residents will still have some oppor-
tunity of making transportation serve their preferred land use, if in the
meantime a long-term commitment to increased access is avoided for now.

E. Extent of direct State land use control.
The State of Alaska has a large portion of its land selection entitlement
left to select, and has until 1984 to do so. At the present time, selec-
tions may be made essentially only on federal public domain under "C-I"
(classification and public interest) lands. However, once native selec-
tions have been determined and the national systems boundaries fixed,
remaining lands within the original native and D-2 withdrawals may be-
come selectable by the State, enlarging the field of choice. For this
reason it is the recommendation of the JF-SLUPC and the policy of the
State to proceed with deliberation on selections, leaving some of them
to be made later within this broadened field of choice.

The problem presented is that it cannot be known at this time just where
and to what extent these later selections may be made. One cannot deter-
mine how much control the State would have over land affected by the
haul road without knowing how much of this land it would own. Nor can
estimates be made of management costs to the State, for the same reason.
Any cost/benefit analyses of various haul road use alternatives must
recognize that management opportunities ("benefits") and management
responsibilities ("costs") are dependent on the land eventually owned
by the State, and are thus not determinable at this time.

F. Disparity between State and federal interests; disproportionate costs ("impacts") from resource development.
BLM will probably retain management authority over much of the pipeline corridor, and of unselected remnants of D-2 and native withdrawals. While federal and State objectives for these lands may be similar, and while sympathetic BLM managers will attempt to represent and Alaskan viewpoint, it must be assumed that BLM management will reflect federal interests. Insofar as impact costs of some resource developments fall disproportionately on the State, the federal government cannot be expected to be as restrained about such costly developments as would be the State. In any region featuring both State and federal ownerships, resource development conflicts are inevitable, and could be decided by the entity which controls access.

G. Present land-use planning limitations.
The Department of Natural Resources wishes broad regional planning to precede a haul road use decision, not the reverse. The planning approach should be to consider transportation as co-equal with social, economic, environmental, and other factors. The haul road's physical existence and patterns of use are "givens" just as are the details of these other factors. This approach also permits the development of citizen involvement planning mechanisms which include the entire diversity of people affected on a regional basis, whereas an approach which emphasizes transportation risks a biased identification of people (and hence, their goals and objectives) based on their relationship to a transportation system or particular development project.

The Department is now developing its planning capability and acquiring experience in citizen-involvement mechanisms. Interim preservation of the status quo on the Yukon-Prudhoe road will allow time for the necessary planning, as well as provide a climate for including the haul road decision within a broader, more comprehensive, regional planning framework.

II.

A. Pending long-range policy development, the interim land use policy for State lands on the North Slope of Alaska is to confine commitments for use of these lands to natural resources development and essential support functions. The current uses related to oil and gas development and its transportation are intended to coincide with the anticipated "life of the field", i.e. until there is no more oil and gas to be extracted and transported.

(II A. continued)

Residential and unrelated commercial uses on the development of family living patterns are not consistent with this policy. (A limited use policy for the haul road confining uses to natural resource development and transportation would least conflict with present developments and management of the area). An open access on the haul road at this time would create a situation making it more difficult for the State to implement policy and effectively manage the area to the best cost/benefit ratio. To encourage development and settlement on these lands in any way other than for natural resource development would, in the long run, create many costs for the State.

II.

B. On lands currently not under State ownership or control, but either selected or potentially selectable, other resource development opportunities may present themselves; these are the particular concerns of divisions within the Department. The State, of course, has an interest in the resources of lands under other ownerships as well.

The recreational resource is extremely rich in much of the region. While further study is required to determine how this resource may be non-destructively utilized, the current limitation of access to "hard" resource extraction should be continued in the interim. It seems likely that the Yukon crossing should be utilized as a center for holding and controlling recreational use.

Lands of agricultural potential have been identified, most of which are fortunately accessible by river systems. The State may possibly control some of these in the future.

New access situations vis-a-vis hard minerals are presented by the haul road. A permit system might best control access for exploration and development, similar to the system which now obtains for the oil and gas industry.

New oil and gas potentials may be explored and developed in part via the Yukon-Prudhoe road. The existing limited access system now used by North Slope oil and gas developers could logically be extended to include these new potential areas.

C. Potential physical effects on North Slope lands.

Past and present management of the State's North Slope lands regulates all surface development and operations. Because of the susceptibility of tundra surface to irreparable damage and erosion, the ADL closes these lands during the summer months to any activities on the surface of the land except for developed roads and construction pads. During the winter months when the land and water surfaces are frozen and there is sufficient snow cover, construction and hauling activities on the land surface are allowed to resume, but only by permit after a plan of operations has been filed. If the haul road to the North Slope area were opened to unrestricted access, difficulty would be encountered with regulating the miscellaneous and less-significant uses attempted of the area, particularly cross country travel. At present the only activities requiring regulation in this sensitive area are the oil and gas development operations, mostly conducted by responsible corporate citizens. An open-access policy for the haul road to the North Slope would certainly impact the fish and wildlife of the area, but in this instance could also have an adverse impact on the land itself.

A limited access policy for natural resource development would permit controllable activities and present the least hazard to physical alterations of the land while still allowing beneficial development.

SECTION III

HAUL ROAD POLICY ISSUES

A. Summary of Revised Interim Policy

The purpose of the Interim Haul Road Policy is to give the people of Alaska time to resolve several issues which have a direct bearing on the appropriate use of the Haul Road and lands adjacent to the pipeline corridor. Through resolution of these issues, Alaskans will have an opportunity to consider and plan the role the Haul Road should play in the future of the state and especially northern Alaska. To provide for the development of this opportunity, the Interim Haul Road policy must provide for road uses which will not eliminate major road, land and resource use options in the northern region of the state. The duration of the interim policy will be determined by the resolution of the issues outlined in the first section of the Haul Road policy statement.

An interim management policy of expanding road use to generally support natural resource development under controlled conditions complements the objectives of the interim policy. Additional road uses which would encourage large numbers of people to come into the northern portion of the state, within a short time, and the accompanying residential and commercial development would not be consistent with these objectives. A competent permit system will be necessary to successfully implement this policy due to the implementation of a resource development policy, the costs of road maintenance and control should be paid by the users, resource developers through a permit fee process rather than by the Alaskan people.

B. Legal and Regulatory Restrictions

The Department of Natural Resources' approach to the formulation of a state Haul Road policy has focused on an attempt to define the "best interests of the state" according to a total resource-use planning perspective, a respect for public participation, and an interest in further natural resource development. It has been assumed that any policy decided upon could be legally carried. Efforts at policy formulation have not been stymied by restrictions that may or may not be imposed by the existing structure of state laws.

This approach should have increased our chances of considering options which come closer to serving the best interests of the people of Alaska. Specifically, we have determined that the existence of the road alone should not determine the future of the northern portion of the state. Similarly, the Department has contended that the conveyance of the road to the state within two years should not force the state to determine the long-term land and resource use pattern for the northern area within an unrealistic time frame during which many crucial issues cannot be resolved. The primary principles guiding the policy formulation were: (1) to provide time for issues having a direct bearing on northern land use patterns to be solved by instituting an interim road use policy and; (2) to assure that the road use during this interim period does not eliminate major land and resource use options. In following these principles, emphasis has been placed on natural resource development and planning principles.

Obviously, this means that the policy set forth in the Department's Haul Road statement does not yet address or take into consideration various legal objections which might be set forth by the Department of Highways. In a recent conversation with Chris Ross, I was informed there were only three options to haul road use: (1) closing the road; (2) keeping the road open to the public in the summer only; (3) opening the road all year for public access. Chris indicated that legal barriers exist to limiting the road to a particular type of use (i.e. resource extraction) if the road was owned by the state. Chris, however, admitted that a great depth of legal analysis had not been completed on this legal interpretation. It appeared to reflect the policy set forth by the Commissioner of Highways. In any case, our current policy does not consider their objections.

C. Gas Pipeline Impact

The gas pipeline route could have a significant impact on the decisions involving implementation of an interim road use policy. There are three possibilities to consider: (1) Trans Canada Pipeline; (2) Trans-Alaska Pipeline certified before conveyance of the road to the state and, (3) Conveyance of the road to the state before the pipeline route is certified.

Option one involves no consideration of immediate gas pipeline impact. However, implicit in all the options is consideration of possible future pipeline construction in the corridor. The corridor is primarily a utility access and any long or short term policy should reflect this.

The second option contains the decision of whether to open the road to [illegible] use, and what limits to set during the construction of the gas pipeline. It would be tempting to keep the road closed during the construction. However, certain other users are already using it to supply the oil and gas industry. There is also the argument that gas pipeline construction activity will be lower than activity related to the oil pipeline [illegible] work force of [illegible] 25,000 [illegible]. Therefore, pipeline construction would coincide with expanded [illegible] use of the road. [illegible] Their [illegible] of the [illegible] River is to extend a gravel or [illegible] pad off the shoulder of the road and use that [illegible] to lay the pipe. They would use the actual road for [illegible] and supply [illegible] along with other industrial users. They indicated that very careful consideration be given to general public access due to the [illegible] conditions that normally arise in a construction project of this size. Both Alyeska and El Paso would probably prefer a highly restricted use of the road in order to facilitate their own supply and construction transportation needs.

The third option would basically have to be handled in a similar manner as the [illegible] one would have to assume a pipeline would be built and any interim [illegible] policy would have to reflect the [illegible] of any pipeline activity. It [illegible] very difficult. Thus, a policy which [illegible] the public will be allowed to use the road only until another pipeline is built [illegible] is probably not viable and would be very [illegible]. (Controlling all [illegible], etc.)

It appears that in general, a single interim policy which allows limited [illegible] resource development use of the Haul Road is viable for all three options. Since [illegible] the gas pipeline is a legitimate natural resource use, and [illegible] activity, although hazardous to the general public, will not completely close [illegible] the road to experienced, competent, industrial users.

D. Discussion of Expanded Resource Use Options

Haul Road use for natural resource development is a logical continuation of its present function. However, problems arise regarding how much to limit road use related to resource development and how to regulate the development related to road use without jeopardizing future land and resource use options. A key problem is defining the exact cut-off point of what will be allowed and what will not be allowed concerning any further resource support use of the road.

Implicit in all of the options discussed is the fact that any limited road use should result in no costs to the state. That is, the resource users should have to provide all services and through a permit system be required to pay all road maintenance costs during the interim period.

Use of the Haul road to support natural resource development can be broken down into three major categories: oil and gas development, [illegible] hard mineral development, and development of other resource uses.

A. Oil and Gas

Two basic options have been discussed regarding support of oil and gas operations: (1) [illegible] the road for continued development and (2) opening the road for new exploration and development.

(1) Use of the Road to Continue Present Oil and Gas Development [illegible]

Since the road is presently being used to support oil and gas development, which was the [illegible] of the Haul road, it is relatively easy to defend the position that the road should continue to be used in this manner. Transportation is a major cost in developing the field, and use of the road will continue to lower this cost significantly. Also, the road may be the only supply option other than air if the Beaufort Sea ice does not clear the shipping lanes during the summer.

A possible alternative to limiting use to present oil and gas development only, would be to permit interim use for support of all types of present road resource developments. This option would still effectively limit use to oil and gas development since virtually no other resource developments have occurred. A possible exception might be a few small operations such as [illegible]. The option does provide a clear, fair, [illegible] cut off point to manage. That is, no new users would be allowed for any particular group. Also, it would greatly simplify any permit system since road permitting has been established and fees for maintenance, etc., would be relatively simple to apportion to the few users. However, it has serious disadvantages such as how to establish exactly what constitutes present road development. (For example, would maintenance work on a previous mining claim be considered development?) Also, limiting the road to no more than [illegible] may be politically impossible since it would probably be [illegible] a complete shutdown.

(2) Use of the Road to Support New Oil and Gas Exploration and Development

Using the road to support oil and gas exploration is opening
it to a new use. The major disadvantage of this option is a
"domino argument" that if one new use is allowed, why not
another, then another. In essence, a well defined, overall,
cut-off point is somewhat eroded in allowing new exploration
to take place.

Oil and gas exploratory development involves the use of heavy
seismic and drilling equipment. Though in the past this equip-
ment was flown in or brought to the North Slope by barge, over-
all supply and transportation costs for the exploratory and
drilling operations would be lower if the road is used for
support. This is especially true if future oil development takes
place on lands in the interior. Since exploratory work in the
oil and gas areas is accomplished by a few large concerns with
special expertise, use of the road for such operations can be
easily regulated and permitted. The necessary permit capabili-
ties are presently operational within state agencies.

Additional oil exploration and development are expected to take
place in at least two areas; the Beaufort Sea and native selected
lands near the corridor. If the Beaufort Sea sale is permitted,
exploration activity will increase and there will be pressure
to use the road for supply and equipment transport activities.
The extent of this pressure would be determined by the extent
barges are used to supply operations in the area. Exploration
activity using geophysical equipment is already taking place on
large tracts of native selected lands near the pipeline corridor.
Though the native corporations may not own this land until after
the interim policy has expired and might not be permitted to
develop this land before they are legal owners, interim conveyances
have been issued and exploratory wells have been drilled on those
lands. Use of the road for these more inland exploratory and
development projects would be very beneficial to the Native cor-
porations. Thus, a major reason for expansion of current road
use for oil and gas development efforts would be to accommodate
the Native corporations.

(3) Recommendation

It is recommended that the interim policy allow old and new
oil and gas exploration and development to use the haul road
for support of their operations, as long as all costs of road
use are absorbed by the user.

B. Sizable and/or Hard Mineral Development

Several high potential mineral areas lie within the general corridor area.
Tentatively approved state land, which will probably be open to staking
after patent, lies on either side of the corridor. Large blocks of fede-

eral D-1 land about the pipeline corridor. These lands are presently open to staking. Parts of native regional and village selected lands may hold mineral potential, and presumably could be developed during the interim policy period. The actual corridor itself lies partly in high potential mineral lands and can be opened to staking and development at the discretion of the BLM. Presently, the highest interest areas are in the Chandalar and Wiseman quadrangles. (See Map 1 for outline of staking areas.)

Ever since the road was announced, a good deal of mineral exploration has occurred along the corridor, assuming that at some time access by road would be available. Careful consideration of allowing use of the road for mineral development during the interim period is warranted. Mineral extraction is much more permanent, generally more capital intensive, and much more labor intensive than comparable oil and gas extraction. If the road is to be used for support for mineral extraction, this type of development during the interim policy period would probably have to be closely monitored to insure that road use for this purpose does not foreclose major land use options. It is probable that an overall development plan outlining such things as construction activity, methods of housing and services, reclamation procedures, etc., would be needed to guarantee that no state services or costs would be involved and no related residential or commercial areas created. In order to insure this, the state would have to establish a permit system and regulations setting up conditions on roadside related mineral development. It is significant to note that there is presently no such system. Therefore, it could take time and money to generate a permit policy.

It should also be considered that a large mineral development during the interim period is a remote possibility. Even with an open road such variables as distance from market, large front end costs, fluctuating prices, road maintenance, etc., would require a large, very profitable ore body with a high dollar to weight ratio to justify development, and even in this case it may be more profitable to use other means of transportation such as cargo aircraft rather than building access roads, etc. However, road use could make a smaller mine, close to the road, more economic.

With the above information as background, three principal options were discussed regarding haul road support use for hard mineral development.

(1) Use of the Road to Support Hard Mineral Extraction Only

This option could ease public pressure to open the road to unlimited use, although the major part of the mining lobby in Alaska would probably still be opposed if only extraction was allowed. By opening the road to mineral extraction, the state could, through a permit system, have a large influence on the type of development which is allowed, not only on state land but on federal and private land as well. However, as previously discussed, a permit system would have to be initiated, and restriction would probably be opposed both by the native corporations and the federal government.

It would be almost impossible to develop most mining ventures without the use of a reasonably efficient transportation system, as large amounts of heavy equipment are routinely involved in construction and operation of a mine. From a marketability and transportation standpoint however, a road is much less efficient than a railroad system. Thus, the mining industry may fully support keeping the road closed and extending the Alaska railroad north. This option may have much to offer regarding pressure to open the road, permanent limited access, and support of the resource industries. The cost, however, may be an excluding factor unless private or federal interests would develop the project.

Diversification of the economy of Alaska, an increased job supply situation, and, under proper management, economic benefits to the state may be considered advantages of the resource extraction option. However, as discussed in a previous memo by Ross Schaff, the great distance from the market and the general inefficiency of a road compared to a railroad may prevent road access from being a large determining factor in the economics of mining in the area. Also, allowing the possibility of extraction to occur, limits the planning options and, to a certain extent, allows road use to determine land use during the interim period rather than allowing land use to determine road use.

(2) Use of the Road to Support Hard Mineral Extraction and Exploration (Prospecting)

This option would definitely ease public pressure created by the mining lobby to open the road to unlimited use and would be more consistent with the oil and gas policy. The immediate result would be a great deal of increased exploration and possibly development in the corridor area. It would lower the costs of exploration and development to the large companies and individual prospectors.

An impossible problem in opening the road to hard mineral prospecting is determining the intent of use of the prospector. Anyone, whether a responsible prospector able to support and service himself, an amateur Sunday gold panner, or even a hunting party, can claim the status of a mineral prospector. It follows that since virtually anyone can be a prospector, unless some arbitrary means of selection is enforced, opening the road to prospecting is essentially opening the road to the public. It is very difficult if not impossible to draw a clear line between a legitimate prospector and the public. Less serious individuals may be deterred if a permit system is devised for payment of maintenance and other costs, but serious individual prospectors may also be deterred by a fee that can easily be paid by a large company or a group of affluent hunters or tourists. If prospectors are allowed use, any permit system would also be more complicated due to the inclusion of larger numbers of users more often. Mineral extraction or oil and gas developments could be permitted in advance and would likely be predictable. Permitting individual prospectors (even if they could prove to be totally self-sufficient) would be random and might require continued surveillance at the Yukon Bridge as well as along the road.

Closing the road to exploration (prospecting) would not involve much of a hardship to most serious exploration projects. Hard mineral exploration usually doesn't involve heavy equipment, and the time/cost savings of float planes and helicopters would likely see a continuation of their use even if the haul road were open since it is still necessary to cross the corridor to get to minable land. An exception might be the use of core drills but most of these can also be transported by plane. Thus, the major results of not opening the road to mineral exploration during the interim period would include: (1) an increase in exploration activity regardless of the policy as a result of allowing the road to be used for extraction purposes; (2) the activities of the small independent prospector would increase but be partially limited compared to potential small prospector activity if the road were open and; (3) mineral resource development would be allowed without significantly foreclosing future land use options.

(5) Close the Road to Support of Any Hard Mineral Activity

The major advantage of this option is that it provides a solid, unambiguous point at which the limit of resource related use of the road would be set. The option rides on the past trend of road activity being limited to previous oil industry use. This could help ease public pressure to open the road for unlimited use by keeping the road's status unchanged. However, it more likely would prove to be the opposite, because the mining lobby is a large proportion of the total public pressure, and it may be completely against total closure. This option would help keep the area from being further impacted during the planning stages since it would be a factor in limiting development of mining operations, and would slow down the rate of exploration.

However, the state has an interest in providing jobs and diversifying its economy. It therefore has an interest in promoting economic development, particularly in cases where development is likely to occur anyway. Thus, it is debatable whether total closure of the road to the mineral industry would be in the state's interest.

A corollary to the option of closing the road completely to mineral development might be to limit use of the road to only those developments which preceded Haul Road construction. This option was discussed in the first section and will not be repeated here. It should be noted, however, that very little mineral development (extraction) had occurred before the Haul Road was built and very little is occurring now. Thus, limiting use to previous development effectively limits it to oil and gas development, with a few minor exceptions.

(3) Recommendations

Primarily due to the inability to make a clear distinction between "prospecting" and public use as well as the uncontrolled impact which could accompany use of the road by a large number of individual prospectors, it is recommended that the Haul Road be open to support mineral extraction activities, but closed to mineral exploration (prospecting). The main problem with this decision involves opposition from the mining lobby and the general public.

C. Other Resource Development

(1) Use of the Road for Coal Development

Large amounts of coal are known to exist on the Arctic Slope and may exist within the general corridor area. It is highly unlikely that any development of this resource will take place during the interim period. The Beluga coals, much closer to market and without the permafrost problems, etc., are still only subeconomic. There is a remote possibility of using the road on a small volume basis to transport coal locally to villages (assuming village access to the road) for heating and electricity purposes. This should present few problems concerning overall policy.

(2) Use of the Road to Develop Agriculture

Interest in large scale agricultural development in the region has been primarily confined to the Yukon Flats. (See attached map.) Because of the interest in lands closer to population centers, the area's present status as a proposed national wildlife refuge, and the distance of the Yukon Flats from overland access via the Haul Road, the possible development of this resource is not expected to commence before the end of the interim management period. Since access roads would need to be planned and funded and many other use issues resolved, development of this area will be addressed by a regional land use planning approach which would be developed and considered during the interim period. It is not expected that the interim management policy would have any impact on the agricultural potential of the area.

Eventually, livestock enterprises, such as reindeer grazing might develop north of the Yukon. In that situation, limited use of the south quarter of the Haul Road would be economically necessary. Such development is not imminent.

Similarly, development of phosphate deposits on the north side of the Brooks Range (near Galbraith Lake and in the Arctic Wildlife Refuge east of the Haul Road) may eventually be needed for fertilizer. Development of this potential would probably not be profitable for many years.

(3) Use of the Road to Develop Forestry

Commercial forestry potential north of the Yukon River is primarily limited to the spruce and hardwood forests of the Yukon River Flats. (See attached map.) The Haul Road relationship to this potential is limited to the river crossing. The demand for spruce is primarily for cabin building activities and for hardwoods (cotton wood) is limited to furniture manufacture and chips. Currently, active commercial use of the state's spruce and hardwood forests is in the Tyonek, Kenai Peninsula, Susitna Valley, Tok and Fairbanks areas. Generally the southern sites are much more productive than northern sites. (Southcentral District - 5 to 8 million board feet per acre compared to Northcentral District - 3 to 5 million board feet per acre.) Consequently, the largest commercial demand is focused on the southern forest sites. Furthermore, the development of harvesting in northern areas is restricted by transportation costs. The Fairbanks commercial harvesting effort has focused only on the area within 50 miles of Fairbanks due to transportation costs. Consequently, it is unlikely that much demand will develop in the near future for the Yukon River timber due to distance from markets, economics of haul costs, and existence of more accessible supplies elsewhere. It should be noted, however, that the Doyon Corporation is attempting to develop a lumber industry within the Doyon Region. In any case, if a demand for Upper Yukon River timber develops, logs could easily be transported by barge or floated to the Yukon crossing.

In view of the conflict concerning the best use of the Upper Yukon area, the unlikelyhood of developing the area in the near future and the use of the Yukon for transportation, the interim Haul Road policy would have almost no impact on forestry.

(4) Use of the Road to Develop Fishing Industry

The Haul Road's relationship to the fishing industry concerns two aspects: commercial and subsistence fishing. Commercial fishing is limited to a seasonal catch of salmon in the main stem of the Yukon River. The haul road policy would have little or no impact on this industry since the Yukon River provides transportation to the Yukon crossing of fishermen, equipment, and the seasonal catch or processed product. The only possible, though unlikely, effect would be associated with sport fishermen heavily fishing tributaries having spawning grounds which lead into the Yukon River as a result of an open access Haul Road policy. This theoretically could effect catches on the Yukon.

Subsistence fishing is currently prohibited along 15 to 30 mile stretches along the Haul Road. This is a protective measure to prevent overfishing of the areas. An open access Haul Road policy could place pressure on the state to change this measure.

The contemplated Interim Haul Road policy would have no impact on the fishing industry.

(5) Recommendation

The contemplated interim policy would have very little impact on the resource development industries examined in this section. Basically, the coal, agricultural and forestry industries are not yet initiated in the area and require a period of planning before prudent development should take place. The interim period should provide for this need. The Haul Road policy is for the most part unrelated to commercial fishing.

Since the policy has little impact on these industries, the state could presumably allow the Haul Road to be used for coal, timber, agriculture and commercial fishing purposes with minimal concern. The principal problem would involve having to permit large numbers of commercial fishermen or others who might wish to cross the bridge. A situation not unlike that of the prospectors could quickly develop. Consequently, the exact status of road use for the "other" categories of resource development requires additional analysis. Perhaps if road use is really not relevant to the welfare of these resource industries during the interim period, the Haul Road should be restricted to oil and gas exploration and development, and hard mineral extraction. If necessary coal could be included in the hard mineral extraction category.

E. Mineral Potential of Haul Road Area

The following discussion relates to an area approximately 50 miles on either side of the Haul Road from the Yukon River to the Arctic Ocean. It focuses on known mineral deposits with some discussion of future potential areas. It represents a quick gleaning of knowledge of Department of Geological and Geophysical Survey personnel and a quick perusal of the literature available. There is a need for a more comprehensive, detailed analysis of mineral potential in the Haul Road area. For example, estimates of the amount and types of uses to which the road may be put during the interim period are needed in order to develop reasonable fees and determine maintenance procedures, future use patterns, etc. Most importantly, the analysis will act as a basis for long range regional planning. A separate memo will address this problem.

With these limitations in mind, the following short, simple analysis of known mineral deposits and possible future potential is given:

Oil and gas--the only known economic discovery is the Prudhoe Bay field, but with the completion of the pipeline, a few smaller discoveries on the state uplands and possibly some past discoveries in NPR-4 will be produced. Future potential is high in the offshore arctic and NPR-A; high to moderate on state uplands, native deficiency lands on the North Slope, and the north flank of the Brooks Range.

Coal--known deposits of coal are limited to the west side of the Haul Road area north of the Brooks Range. The deposits are very extensive but known minable deposits are at least thirty to eighty miles from the road and the economics of large scale mining are very poor even with a road. For example, the Beluga coal deposits are still sub-economic even though they are much closer to potential markets and without many of the problems associated with arctic development.

Metallic minerals--known deposits of metallic minerals are generally concentrated in the highland regions on the north and south flanks of the Brooks Range although scattered deposits occur both north and south of this area. (A mineral deposit is here defined as any mineralized area with no reference to its extent or economics.) The largest known mineralized area near the pipeline haul road lies in a large circle with Wiseman at the center, the Continental Divide to the north, Bettles to the south, and extending about 50 to 75 miles east and west of Wiseman. This is an old gold province which is being partially redeveloped. Apparently, some mines are being reopened and a mill is being built. It is presently unknown what role the road played in the decision to redevelop the area. It consists of about 4,500 acres and is reported to be at least 15 to 20 miles east of the Haul Road. To our knowledge, this is the only reasonably large mining development north of the Yukon. This conclusion is based on sparse data and doesn't consider small mining operations in the area. Exploration activity in the Wiseman area is very high. Companies are looking for extensions of the copper deposits found to the west (north of Kobuk at Arctic Camp), and for bedded volcanogenic deposits of copper, lead and zinc associations, as well as lode gold deposits. Lands have been staked, but whether any reserves have been outlined or economic deposits found, is unknown at this time.

Future mineral potential is high both on the north flank of the Brooks Range near the Haul Road, and south of the previously discussed Wiseman district practically to the Yukon River. These areas have not been subject to the same intensive exploration efforts as the Wiseman area because of land problems (D-2, native, etc.) and distance from known mineralized areas.

F. Recreation Use of Haul Road

The Department of Natural Resources' Haul Road Policy has generally focused on natural resource development until various issues having a direct bearing on land and resource use are resolved. Recreational use has not been considered consistent with this policy since it would essentially open up the road and require supporting residential and commercial developments. These developments together with the large human impact would eliminate numerous land and resource use options. Thus, an effort has been made to define an acceptable policy which allows use of the road for only specified resource development purposes. This approach assumes that resource developers cover state costs and that no commercial or residential establishment will be allowed.

Rep. Cahill has questioned this approach by claiming that the state could not morally keep the road closed to recreational use if resource extraction is allowed. On the other hand, the Cahill memo claims it is morally justified to just limit road access to utility corridor activity.

The logic of this argument does not necessarily hold true. By allowing hard mineral extraction, the state would be allowing a use similar to that of oil and gas development. The mineral extraction process, like the oil and gas development process, is capable of providing its own support facilities and can be closely controlled. Precedent via the pipeline activities is already established for such control and the accompanying "pay the expenses of the use" concept. Even limited recreational use on the other hand, would require some form of commercial or state operated support facilities. This reality is recognized by Cahill's suggestions that state operated or supported facilities would be necessary. This type of suggested use leads to numerous other questions related to road support (i.e. should Alaska taxpayers provide for tourists from the Lower 48, etc.) and future land patterns which were to be correctly addressed during the interim period.

Furthermore, though it is tempting to propose some limited form of recreational haul road use, it would be almost impossible to equitably define the limitation cut-off point. This is especially evident since public pressure would be a principal reason for such a policy. With no clear-cut line, the limited use would continually be under pressure to expand toward unlimited use. The recreation use in any form would generate public expectations which would limit options for the transportational segment of the comprehensive regional planning by establishing economic and social patterns of use. Since such development also affects other resource use options, allowing road use for limited recreational use also eliminates options currently available for other areas of development.

Basically, though limited recreational use has numerous practical problems concerning control of people, impact of large numbers involved, financing, and cut-off point, the recreational use policy is inconsistent with the Department's reasons for the interim approach.

C. Impact on Small Communities

Though no communities are located directly on the haul road, certain communities within 30 to 80 miles of the road could be affected by the state's Haul Road policy. Other than Stevens Village, which is easy river distance by boat or snow machine to the Yukon crossing, these communities would need roads connecting them to the main Haul Road highway. Since the road has not been used previously by general traffic, any impact the road policy would have on the village would result from additional Haul Road activity.

There are several indications that surface ties to rural communities are at least controversial within those communities. For example, some of the people of Bettles have considered the possibility of a limited controlled access policy on the portion of the Hickel Highway between Prospect on the Haul Road and their village. Such a policy could prevent an influx of visitors to their village. Anaktuvuk Pass, which also is linked to the Haul Road via the Hickel Highway, is well known to have many objections to a surface connection. Stevens Village is experiencing depopulation as a result of the easy river distance by boat or snow machine to the Yukon crossing of the Haul Road. This, however, would be the case whether or not the Haul Road were closed north of the Yukon.

Rural people are still grappling with the problems of access to their villages.
An interim policy of limited controlled access on the road would allow time for
them to address these problems through the planning process, without seeing their
options slip away in the meantime.

H. State Expenses Associated with Haul Road

If the state opens the Haul Road to any use, expenses will be incurred for
maintenance, permit administration, police services, and other associated state
services. In order to minimize these costs, state maintenance would probably be
limited to the summer months. Public taxes could not be satisfactorily used to
support efforts, unless the road was generally open to the public. (Though public
funds support limited access roads on military bases, etc., they would be politically
unacceptable for limited Haul Road use.) Consequently, the recommended policy
would require a user-fee system as a corollary to obtaining a road-use permit. The
fees would have to be high enough to collectively cover all state costs incurred.
Since few parties would be using the road for oil and gas development or mineral
extraction purposes, the fees would be of a magnitude to further discourage road-use
by those not interested in serious (and probably quite profitable) resource extraction

I. State Permit System for Use of the Road

As was noted earlier, the variety of possibilities for resource development activi-
ties to expand into residential and commercial development areas (such as towns
around mine sites) as well as the requirement to limit hard mineral road users to
a nonprospecting activities, emphasizes the need for a carefully managed permit
system. Such a system would require an extensive resource development qualification
describing reasons for road use and a resource development site plan. The resource
development site plan, even for federal areas, would be necessary to ensure that
the roads use for seemingly resource development purposes would not aim to state
public planning options through misuse of an area, or residential or commercial
development due to road access. Though use of the road for resource extraction
purposes will encourage growth in mining activities, the parties using the road
should still be few in number. (Since 1973, only one additional hard rock mine
in the area has been opened.) Accordingly, the bureaucratic side of the permit
operation should be small.

The permit system might appropriately be administered through the Division of
Lands and will require enough information to equitably apportion costs, determine
legitimate intent, and guarantee responsibility of the user.

J. Long Term Haul Road Policy and Planning Effort

The true success of the Haul Road policy will depend to a large extent on the
efforts made to bring the public into the planning process, the sophistication
of the regional planning effort, and the integration of public input, planning
effort, and inter-governmental cooperation, to resolve the issues outlined in the
policy statement.

1. Public Participation

The present Administration's policy of encouraging public input and partici-
pation should complement the planning process. In view of the demonstrated
public interest in the question of the road use north of the Yukon and the
political significance of late 1977 or early 1978 being the probable road

conveyance date, it is essential the public understand that the interim period gives the people of Alaska the opportunity to influence the future development pattern through the planning process. Only through such a period can the public consider the full spectrum of development options. Such consideration of land use in terms of public benefits, local & state impacts, and irrevocable decisions, will enhance the public's understanding of the actual costs of alternative state policies.

2. Suggestions for a Regional Plan

The regional plan should address itself to a much larger area than merely the Haul Road and the utility corridor. The area which is affected may include the area north of the PYK (Porcupine-Yukon-Kobuk) line. Under no circumstances should the study end at the border of the corridor. All levels of government as well as private owners should be involved.

Social and economic concerns should be addressed as well as land use, and might well be the central thrust of the study. National, state, and local goals should be examined, conflicts identified, and solutions [illegible].

Because of the conflicts between local, state, and national priorities, the body who directs the plan should be able to work effectively with all levels of government as well as relating [illegible] to specialized interests.

The plan should be initiated in a timely fashion. Not only is it important to gather public ideas and reactions, but it is also important for the public to know that their opinions are being sought. Public involvement in the planning process would lend credence to the interim policy's underlying rationale of preserving options for the public.

E. Additional Areas of Investigation

1. A more comprehensive analysis of the effect of the Haul Road on the mining industry is warranted. Such things as a more detailed estimate of mineral potential in the Haul Road area, type of exploration activity, estimates of possible future discoveries, production rates, mining methods, dollar values, and other pertinent data could be addressed.

2. It may be necessary to have in hand a detailed analysis of the true costs to the public of opening the road to unlimited use. It would involve such things as maintenance costs, public safety costs, services costs, and any others. Estimates of probable numbers of Alaskans compared to out-of-state tourists who would use the road could be made. Questions to be addressed could include: How much is the Alaskan taxpayer willing to directly pay to allow a large proportion of outside tourists and non-residents to use the Road? Might it be better to have all users pay the costs even if the road is open to public use?

3. Need for analysis of environmental impacts associated with different levels of road use.

4. Need to more fully understand the relationship between State, Federal Government, Native Corporation, and affected boroughs, villages and towns on the basic issues confronting use of the Haul Road and adjacent lands. Coordinated communication with these groups on this issue should be formally established. Specific issues such as agreement with [illegible] on limiting [illegible] addressed.

5. Advantages and disadvantages of summer vs. winter use of the Road should be analyzed even for limited use.

6. Airfields along the corridor which will be administered by the State should be operated to complement the Haul Road policy.

7. The options available to us in operating the permit process need to be examined.

8. Additional investigation of road control and financing procedures.

9. An in-depth look at the legal opinions regarding limited road use.

10. Consideration of the question of the possible effects of a supply and services community at the Yukon bridge.

11. Serious consideration should be given to the option of substituting rail transportation for road transportation along the corridor.

SECTION IV

DEPARTMENT OF NATURAL RESOURCES
HAUL ROAD POLICY RATIONALE

The Department of Natural Resources' approach to the formulation of a state Haul Road policy has focused on an attempt to define the "best interests of the state" according to a total resource-use planning perspective, a respect for public participation; and an interest in further natural resource development. It has been assumed that any policy decided upon could be legally enacted. Efforts at policy formulation have not been stymied by restrictions that may or may not be imposed by the existing structure of state laws.

This approach should have increased our chances of considering options which come closer to serving the best interests of the people of Alaska. Specifically, we have determined that the existence of the road alone should not determine the future of the northern portion of the state. Similarly, the Department has contended that the mere conveyance of the road to the state within two years should not force the state to determine the long-term land and resource use pattern for the northern area within an unrealistic time frame during which many crucial issues cannot be resolved. The primary principles guiding the policy formulation were: (1) to provide time for issues having a direct bearing on northern land-use patterns to be solved by instituting an interim road use policy and; (2) to assure that the road use during this interim period does not eliminate major land and resource use options. In following these principles, emphasis has been placed on natural resource development and planning principles.

HAUL ROAD POLICY

The North Slope Haul Road was built as a private right of way to be used initially as support for construction of the Trans-Alaska Oil Pipeline. Present uses are limited to support of pipeline construction and special supply functions related to development of the Prudhoe Bay oil field.

With the termination of pipeline construction, the Haul Road will be turned over to State management and ownership. Ideally, the State should have determined by that time the role of the road in the future of the State and how best to implement that role. Unfortunately, such a determination within the next two years is impossible due to the many remaining unresolved issues having a direct bearing on Haul Road use.

Consequently, the Department recommends that the State adopt an interim management policy limiting uses of the road to continued support of natural resource development under controlled conditions. This limited use status of the road should be maintained at least until the pertinent unresolved issues are determined. This interim policy will enable the State of Alaska to decide these issues uncomplicated by an additional pattern of surface transportation use and its related developments. The period will also provide time for the long-term Haul Road use decision to be made within a [illegible] planning framework which incorporates public input, analysis of a wide range of policy options and resolution of related land issues. Through this process, a decision on future use of the road will serve the determined land use, rather than itself being a determinant of land use.

The following discussion presents the unresolved issues pertaining to Haul Road use decisions and explains the interim Haul Road policy in more detail.

I. The unresolved situations and issues which require resolution during the interim policy period include:

   A. Present land use planning limitations.
   The Department of Natural Resources wishes broad regional planning to precede a Haul Road use decision, not the reverse. The planning approach should be to consider transportation as co-equal with social, economic, environmental, and other factors. The Haul Road's physical existence and patterns of use are "givens" just as are the details of these other factors. This approach also permits the development of citizen involvement planning mechanisms which include the entire diversity of people affected on a regional basis. An approach which emphasizes transportation risks a biased identification of people (and hence, their goals and objectives) based on their relationship to a transportation system or particular development project.

   The Department is now developing its planning capability and acquiring experience in citizen involvement mechanisms. Interim preservation of the limited use status on the Yukon-Prudhoe Road will allow time for the necessary planning, as well as provide a climate for including the Haul Road decision within a broader, more comprehensive, regional planning framework.