

LEG. FINANCE - BILLS 1979 - 1980 1187

HB 904 cont., thru HB 904 1187

1 waterway which may be safely use<sup>d</sup> for public transportation by auto-  
2 motive equipment and is so used during a portion of a year is eligible  
3 for a payment of \$1,500 per mile if the waterway and connection are  
4 maintained during the period of use by a municipality or combination of  
5 municipalities. The department, after consultation with the Department  
6 of Transportation and Public Facilities, shall determine which waterways  
7 and connections qualify and, where the waterways or connections lie  
8 outside the corporate limits of a municipality, which municipalities  
9 shall receive the payments under this subsection, unless the municipali-  
10 ties involved have agreed in writing to a particular distribution.

11 Sec. 29.89.030. STATE AID TO MUNICIPALITIES AND OTHER ELIGIBLE  
12 RECIPIENTS FOR HEALTH FACILITIES AND HOSPITALS. (a) The department  
13 shall pay

14 (1) to a municipality which has the power to provide hospital  
15 facilities and services and which exercises that power, \$1,000 per bed  
16 for each bed actually used for patient care, limited to the number of  
17 beds provided for in the construction design of the hospital, or \$75,000  
18 a hospital for those hospitals with 10 or more beds, or \$25,000 a hos-  
19 pital for those hospitals with less than 10 beds, as the municipality  
20 may elect; money received under this paragraph may be used only for  
21 hospitals and shall be apportioned among qualifying hospitals as the  
22 municipality determines;

23 (2) on the basis set out in (1) of this subsection to a muni-  
24 cipality for a nonprofit hospital not operated by a municipality if the  
25 municipality first certifies to the department that the nonprofit hos-  
26 pital is in compliance with all standards for hospitals which have been  
27 adopted by the municipality; money may not be paid on behalf of a non-  
28 profit hospital without this certification; payments to the municipality  
29 shall be transferred to the nonprofit hospital in accordance with the

1 basis by which the payment was generated by the hospital, and shall be  
2 applied to the annual cost of operation and maintenance of the hospital  
3 or for the provision of health care service at the hospital as the  
4 directors of the hospital determine;

5 (3) to a municipality in which a health facility is operated,  
6 \$1,000 per bed for each bed actually used for patient care, limited to  
7 the number of beds provided for in the construction design of the health  
8 facility, or \$4,000 per health facility as the municipality determines.

9 (b) A hospital may not receive payment under both (a)(1) and  
10 (a)(2) of this section.

11 (c) Money received by a municipality under (a)(3) of this section  
12 shall be used for expenses of health services or operation and mainte-  
13 nance of health facilities as the municipality determines.

14 (d) Before money may be distributed under this section, the com-  
15 missioner of health and social services shall certify to the commissioner  
16 of community and regional affairs that any accumulation of assets by  
17 nonprofit corporations or other recipients under this section is dedi-  
18 cated irrevocably to a public purpose.

19 Sec. 29.89.040. STATE AID TO VOLUNTEER FIRE DEPARTMENTS IN THE  
20 UNORGANIZED BOROUGH. (a) The department shall pay to a volunteer fire  
21 department registered with the state fire marshal and serving an area  
22 not in an organized borough or city a sum for protection purposes equal  
23 to \$7.50 per capita for the population served by the department, as  
24 determined by the state fire marshal.

25 (b) A grant shall be made under (a) of this section to facilitate  
26 the organization of a volunteer fire department in an area not in an  
27 organized borough or city, upon application of the proposed fire protec-  
28 tion group to the state fire marshal and upon approval of applications  
29 according to standards of organization and service prescribed by regula-

1 tions adopted by the state fire marshal.

2 Sec. 29.89.050. STATE AID TO CERTAIN NATIVE VILLAGE GOVERNMENTS.

3 The state shall pay \$25,000 to a Native village government for a village  
4 which is not incorporated as a city under this title. In this subsec-  
5 tion, "Native village government" means

6 (1) a local governing body organized by authority of the Act  
7 of Congress of June 18, 1934 (25 U.S.C. sec. 476); or

8 (2) a traditional village council or, if there is no tradi-  
9 tional village council, the paramount chief or other governing body of a  
10 Native village which meets the requirements of the Alaska Native Claims  
11 Settlement Act (43 U.S.C. sec. 1601 - 1628).

12 Sec. 29.89.060. POPULATION DETERMINATION. For purposes of this  
13 chapter, population shall be determined by the latest figures of the  
14 United States Bureau of the Census or other reliable population data,  
15 including but not limited to public school enrollment figures, public  
16 utility connection, registered voters or certified employment payrolls.

17 Sec. 29.89.070. AREA COST-OF-LIVING DIFFERENTIAL. (a) Payments  
18 to a municipality or other eligible recipient under AS 29.89.020 -  
19 29.89.030 and 29.89.050 shall reflect area cost-of-living differentials.  
20 Payments shall be based upon the sum of per capita, per mile and per bed  
21 or facility grants due each municipality or other recipient multiplied  
22 by the appropriate area cost-of-living differential. The area cost-of-  
23 living differential for each recipient shall be determined annually by  
24 election district under the provisions of AS 39.27.030. Application of  
25 the area cost-of-living differential may not result in distribution of  
26 an amount less than the amount of the payment determined without refer-  
27 ence to application of this section.

28 (b) The election districts used to establish area cost-of-living  
29 differentials under (a) of this section are those designated by the

1 proclamation of reapportionment and redistricting of December 7, 1961,  
2 and retained for the house of representatives by proclamation of the  
3 governor September 3, 1965.

4 Sec. 29.89.080. MISCELLANEOUS SERVICES ACCOUNT. The miscellaneous  
5 services account is established. Money to carry out the provisions of  
6 this chapter shall be allocated by the department to the account in  
7 accordance with AS 29.95.010. If amounts in the account are insuffi-  
8 cient to pay each municipality's or other recipient's share authorized  
9 under this chapter, the amounts which are available shall be distributed  
10 pro rata among eligible municipalities and other recipients.

11 Sec. 29.89.090. REGULATIONS. The department shall adopt regula-  
12 tions necessary to carry out the purposes of this chapter. The regula-  
13 tions shall include minimum standards required to qualify a municipality  
14 or other recipient for payments for each service. The department may  
15 require a municipality or other recipient to submit a performance report  
16 adequate to demonstrate to the department that a service for which  
17 payment is requested under this chapter was performed by the munici-  
18 pality or other recipient and meets minimum standards of service pre-  
19 scribed by regulation.

20 Sec. 29.89.100. DEFINITIONS. In this chapter

21 (1) "department" means the Department of Community and Re-  
22 gional Affairs;

23 (2) "health facility"

24 (A) means a facility which is licensed, when required,  
25 by the state under AS 18.20.010 - 18.20.130 and which is owned or  
26 operated or both by a municipality or by a nonprofit corporation or  
27 other nonprofit sponsor;

28 (B) includes a public health center, maternity home,  
29 community mental health center, facility for the mentally or physi-

1 cally handicapped, nursing home or convalescent center;

2 (C) excludes a facility operated or wholly supported by  
3 the state or the federal government;

4 (3) "hospital" means a licensed hospital determined by the  
5 Department of Health and Social Services to be a general hospital; the  
6 term excludes a facility operated or wholly supported by the state or  
7 the federal government;

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

9 CHAPTER 90. STATE AID FOR HOSPITAL CONSTRUCTION.

10 Sec. 29.90.010. STATE AID FOR HOSPITAL CONSTRUCTION. If construc-  
11 tion of a hospital began after January 1, 1968, and state matching aid  
12 for construction approved for payment to the municipality or other hospi-  
13 tal sponsor constitutes less than 25 percent of the total project cost,  
14 the department shall pay to the municipality or other hospital sponsor  
15 each fiscal year \$2,500 a bed for the maximum number of beds provided for  
16 in the construction design of the facility or five percent of the total  
17 project cost, whichever is greater. State aid provided for in this sec-  
18 tion shall continue until the municipality or other hospital sponsor has  
19 received an amount which, combined with state matching money for con-  
20 struction of the hospital, equals 25 percent of the total project cost.  
21 Money received for construction may not be used for any other purpose.

22 Sec. 29.90.020. HOSPITAL CONSTRUCTION ASSISTANCE ACCOUNT. The  
23 hospital construction assistance account is established. Money to carry  
24 out the provisions of this chapter shall be allocated by the department  
25 to the account in accordance with AS 29.95.010. If amounts in the  
26 account are insufficient to pay each recipient's share authorized under  
27 this chapter, the amounts which are available shall be distributed pro  
28 rata among eligible recipients.

29 Sec. 29.90.030. DEFINITIONS. In this chapter

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(1) "department" means the Department of Community and Regional Affairs;

(2) "hospital" means a licensed hospital determined by the Department of Health and Social Services to be a general hospital; the term excludes a facility operated or wholly supported by the state or the federal government;

(3) "total project cost" means

(A) costs directly related to the project; and

(B) the total of all costs of financing and carrying out the project; including, but not limited to,

(i) the costs of all necessary studies, surveys, plans and specifications, architectural, engineering or other special services, acquisition of real property, site preparation and development, purchase, construction, reconstruction and improvement of real property, and the acquisition of machinery and equipment as may be necessary in connection with the project;

(ii) an allocable portion of the administrative and operating expenses of the municipality or other hospital sponsor;

(iii) the cost of financing the project, including interest on bonds issued to finance the project; and

(iv) the cost of other items, including any indemnity and surety bonds and premiums on insurance, legal fees, fees and expenses of trustees, depositaries, financial advisors, and paying agents for the bonds issued as the issuer considers necessary.

\* Sec. 5. AS 29 is amended by adding a new chapter to read:

CHAPTER 95. ADMINISTRATION OF MUNICIPAL

1 FINANCIAL ASSISTANCE PROGRAMS.

2 Sec. 29.95.010. ALLOCATION AND DISTRIBUTION. (a) Each year, the  
3 Department of Community and Regional Affairs shall allocate money appro-  
4 priated to the accounts established in AS 29.88, AS 29.89, and AS 29.90  
5 in the amounts determined by the legislature.

6 (b) Money in the miscellaneous services account established in  
7 AS 29.89.080 which exceeds the amount required to fully fund distribu-  
8 tions authorized by AS 29.89 shall be reallocated to the tax equaliza-  
9 tion account established in AS 29.88.035 and distributed according to  
10 the provisions of AS 29.88.

11 (c) Money in the hospital construction assistance account estab-  
12 lished in AS 29.90.020 which exceeds the amount required to fully fund  
13 distributions authorized by AS 29.90 shall be reallocated to the tax  
14 equalization account established in AS 29.88.035 and distributed accord-  
15 ing to the provisions of AS 29.88.

16 Sec. 29.95.020. QUALIFICATION FOR MINIMUM PAYMENT. (a) A  
17 municipality qualifying for an entitlement under AS 29.88 or AS 29.89  
18 shall receive a minimum payment of \$25,000 plus an area cost-of-living  
19 differential for each fiscal year if:

20 (1) the municipality has conducted a regular election under  
21 AS 29.28.010 - 29.28.050 during the fiscal year preceding the year for  
22 which payment of an entitlement is authorized by AS 29.88 or AS 29.89  
23 and has reported the results of the election to the commissioner of the  
24 Department of Community and Regional Affairs;

25 (2) regular council meetings are held in the municipality in  
26 accordance with the requirements of AS 29.23.210 during the fiscal year  
27 preceding the year for which payment of an entitlement is authorized by  
28 AS 29.88 or AS 29.89 and a record of the proceedings is maintained;

29 (3) a municipal budget has been adopted for the fiscal year

1 during which payment of an entitlement is authorized by AS 29.88 or  
2 AS 29.89 and an audit or financial statement for the preceding fiscal  
3 year has been prepared and furnished to the Department of Community and  
4 Regional Affairs in accordance with AS 29.23.560(a); and

5 (4) local ordinances adopted by the governing body of the  
6 municipality have been codified in accordance with AS 29.48.180.

7 (b) The area cost-of-living differential payable to each municipi-  
8 pality under this section shall be determined annually by election  
9 district under the provisions of AS 39.27.030. Except as provided in  
10 AS 29.95.030, application of the area cost-of-living differential may  
11 not result in a payment which is less than the minimum payment deter-  
12 mined under (a) of this section. For purposes of this subsection, the  
13 election districts used are those designated by the proclamation of  
14 reapportionment and redistricting of December 7, 1961, and retained for  
15 the house of representatives by proclamation of the governor September  
16 1965.

17 (c) The Department of Community and Regional Affairs shall pay to  
18 each municipality eligible to receive a minimum payment under this  
19 section an amount equal to the difference between the minimum payment  
20 determined under (a) and (b) of this section and the sum of the amounts  
21 payable for the same fiscal year under AS 29.88 and AS 29.89.

22 (d) A payment under this section may be prorated and reduced under  
23 AS 29.95.030.

24 (e) Payments under this section shall be made from the money  
25 allocated to the equalization account established in AS 29.88.035.

26 Sec. 29.95.030. PRORATION OF PAYMENTS. (a) Payments under  
27 AS 29.95.020 and AS 29.88 shall equal the amount allocated to the  
28 equalization account (AS 29.88.035), adjusted in accordance with AS 29.-  
29 90.010.

1 (b) Adjustments of payments shall be determined by prorating  
2 amounts payable under AS 29.95.020 and amounts payable under AS 29.88 by  
3 a factor which, when applied, reduces all payments in equal proportion  
4 so that payments under AS 29.95.020 and payments under AS 29.88 equal  
5 the amount allocated to the account established in AS 29.88.035.

6 \* Sec. 6. AS 29.23.560(a)(3) is amended to read:

7 (3) tax assessment and tax levy figures as requested;

8 \* Sec. 7. AS 29.23.560(a) is amended by adding new paragraphs to read:

9 (5) a copy of the current annual budget of the municipality;

10 (6) a summary of the optional property tax exemptions autho-  
11 rized in the municipality, together with the municipality's estimate of  
12 the revenues lost to it by operation of each of the exemptions.

13 \* Sec. 8. AS 29.23.560(b) is amended to read:

14 (b) Compliance with the provisions of this section is a prerequi-  
15 site to receipt of municipal tax resource equalization assistance under  
16 AS 29.88 and state aid for miscellaneous municipal services under  
17 AS 29.89 [STATE-SHARED REVENUES UNDER AS 43.18]. The Department of  
18 Community and Regional Affairs [STATE] shall withhold annual allocations  
19 under those chapters [THAT CHAPTER] in the event of noncompliance until  
20 such time as the report requirements are met [COMPLIED WITH].

21 \* Sec. 9. AS 29.73 is amended by adding a new section to read:

22 Sec. 29.73.060. TAXPAYER NOTICE. (a) If a municipality levies  
23 and collects real or personal property taxes, the governing body shall  
24 provide the following notice:

25 "NOTICE TO TAXPAYER

26 For the current fiscal year the (city) (borough) has been  
27 allocated the following amount of state aid for school and  
28 municipal purposes under the applicable financial assistance  
29 Acts:

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PUBLIC SCHOOL FOUNDATION PROGRAM ASSISTANCE	
(AS 14.17)	\$
STATE AID FOR RETIREMENT OF SCHOOL CONSTRUCTION DEBT (AS 43.18.100)	\$
MUNICIPAL TAX RESOURCE EQUALIZATION ASSISTANCE (AS 29.88)	\$
STATE AID FOR MISCELLANEOUS MUNICIPAL SERVICES (AS 29.89)	\$
TOTAL AID	\$

The millage equivalent of this state aid, based on the dollar value of a mill in the municipality during the current assessment year and for the preceding assessment year, is:

	MILLAGE EQUIVALENT	
	PREVIOUS YEAR	THIS YEAR
PUBLIC SCHOOL FOUNDATION PROGRAM ASSISTANCE	.... MILLS	.... MILLS
STATE AID FOR RETIREMENT OF SCHOOL CONSTRUCTION DEBT	.... MILLS	.... MILLS
MUNICIPAL TAX RESOURCE EQUALIZATION ASSISTANCE	.... MILLS	.... MILLS
STATE AID FOR MISCELLANEOUS MUNICIPAL SERVICES	.... MILLS	.... MILLS
TOTAL MILLAGE EQUIVALENT	.... MILLS	.... MILLS"

Notice shall be provided

(1) by furnishing a copy of the notice with tax statements mailed for the fiscal year for which aid is received; or

(2) by publishing in a newspaper of general circulation within the municipality a copy of the notice once each week for a period of three successive weeks, with publication to occur not later than 45

1 days after the final adoption of the municipality's budget.

2 (b) If the municipality levies and collects only a sales tax, the  
3 governing body shall provide a notice substantially in the form set out  
4 in (a) of this section. In providing notice under this subsection, the  
5 council or assembly shall substitute for the millage equivalency its  
6 estimate of the equivalent sales tax rate for each of the categories of  
7 financial assistance set out in (a) of this section. Notice shall be  
8 provided

9 (1) by publishing in a newspaper of general circulation  
10 within the municipality a copy of the notice once each week for a period  
11 of three successive weeks, with publication to occur not later than 45  
12 days after the final adoption of the municipality's budget; or

13 (2) if there is no newspaper of general circulation in the  
14 municipality, by posting a copy of the notice for at least 20 days in at  
15 least two public places within the municipality, with posting to occur  
16 not later than 45 days after the final adoption of the municipality's  
17 budget.

18 (c) Compliance with the provisions of this section is a prerequi-  
19 site to receipt of municipal tax resource equalization assistance under  
20 AS 29.88 and state aid for miscellaneous municipal services under  
21 AS 29.89. The Department of Community and Regional Affairs shall with-  
22 hold annual allocations under those chapters until municipal officials  
23 demonstrate that the requirements of this section have been met.

24 \* Sec. 10. AS 29.13.100 is amended by adding new paragraphs to read:

25 (40) AS 29.73.060 (taxpayer notice)

26 (41) AS 29.88 (municipal tax resource equalization assistance)

27 (42) AS 29.89 (state aid for miscellaneous municipal services)

28 \* Sec. 11. AS 43.18.010 - 43.18.045 are repealed.

29 \* Sec. 12. (a) Notwithstanding other provisions of secs. 1 - 11 of this

1 Act.

2 (1) a municipality may not receive less than \$25,000 plus an area  
3 cost-of-living differential during the first fiscal year in which this Act is  
4 effective; and

5 (2) a municipality which would receive less money under the provi-  
6 sions of this Act than it received for the last fiscal year under the provi-  
7 sions of AS 43.18.010 - 43.18.045, repealed by sec. 11 of this Act, shall,  
8 for the first five fiscal years during which this Act is effective, be en-  
9 titled to receive an amount equal to that received for the last fiscal year  
10 under the former provisions of AS 43.18.010 - 43.18.045, in accordance with  
11 those provisions.

12 (b) For the first five fiscal years during which this Act is effective,  
13 if the amount appropriated to pay entitlements under this Act is insufficient  
14 for the purpose of paying the full entitlement due each municipality or other  
15 recipient, entitlements determined under AS 29.88, AS 29.89, AS 29.90, and  
16 AS 29.95, together with the additional sums required by (a) of this section,  
17 shall be equally prorated and the prorated amounts distributed to municipali-  
18 ties and other recipients.

19 \* Sec. 13. Section 14, ch. 79, SLA 1979 is amended to read:

20 Sec. 14. TRANSITION. (a) The taxes paid for the 1978 [1979]  
21 calendar year under AS 43.75 shall be shared with municipalities in  
22 accordance with AS 43.75.130 and 43.75.135, as those sections read  
23 before their respective amendment and repeal by this Act. The taxes  
24 paid for the 1979 [1980] calendar year and for each succeeding calendar  
25 year shall be shared with municipalities in accordance with AS 43.75.-  
26 130, as amended by sec. 11 of this Act.

27 \* Sec. 14. (a) The Department of Health and Social Services and the  
28 Department of Community and Regional Affairs shall jointly examine programs  
29 of state assistance to persons for the construction and operation of hospi-

1 tals and health facilities and shall report their recommendations on the  
2 extent to which the state should assist municipalities, nonprofit corpora-  
3 tions, and others in the construction and operation of hospitals and health  
4 facilities.

5 (b) By February 1, 1981, the commissioner of health and social services  
6 shall submit to the legislature a report, accompanied by draft legislation,  
7 examining programs of state aid for hospital and health facility construction  
8 and operation, including both public and private facilities, and recommending  
9 a comprehensive health and hospital financial assistance program. The report  
10 and accompanying legislation shall be based on health care and health facili-  
11 ty need, expressed as a function of number of beds, occupancy rate of faci-  
12 lities, kinds of care and levels of service provided or not provided, or any  
13 other factors which the commissioner of health and social services reasonably  
14 believes should be the basis by which state assistance for hospitals and  
15 health facilities and their programs should be provided.

16 (c) The report and accompanying legislation presented under (b) of this  
17 section shall

18 (1) include, if necessary, reference to certificates of need  
19 legislation and any other current program of the federal or state government  
20 which applies in determining whether hospitals and health care facilities  
21 shall be constructed;

22 (2) recommend a permanent program of state assistance to munici-  
23 palities for hospital care and health care services, whether provided by  
24 public or private facilities, which improves the level of care for the people  
25 of the state.

26 \* Sec. 15. (a) The Department of Community and Regional Affairs and the  
27 Department of Transportation and Public Facilities shall jointly examine  
28 programs of state assistance for the construction and operation of mass  
29 transit facilities and services and shall report their recommendations on the

1 extent to which the state should assist municipalities in the construction  
2 and operation of mass transit facilities and services.

3 (b) By February 1, 1981, the commissioner of community and regional  
4 affairs shall submit to the legislature a report, accompanied by draft legis-  
5 lation, examining programs of state aid for mass transit facilities and ser-  
6 vices, and recommending a comprehensive financial assistance program. The  
7 recommendation shall consider regional transit differences, public and pri-  
8 vate operation of transit systems, and methods of financial support provided  
9 in other states.

10 \* Sec. 16. Section 13 of this Act is retroactive to July 1, 1979.

11 \* Sec. 17. Sections 1 - 12 of this Act take effect on the first day of  
12 the fiscal year for which \$33,500,000 or more is appropriated and allowed by  
13 the governor for distribution to municipalities and other recipients under  
14 the provisions of secs. 1 - 12 of this Act, or on July 1, 1983, whichever is  
15 earlier.

16 \* Sec. 18. Sections 14 and 15 of this Act take effect July 1, 1980.

17 \* Sec. 19. Sections 13 and 16 - 19 of this Act take effect immediately in  
18 accordance with AS 01.10.070(c).

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Original sponsors. Meekins and Beirne

Offered: 5/1/80  
Referred: Rules

1 IN THE HOUSE

BY THE FINANCE COMMITTEE

2 CS FOR HOUSE BILL NO. 830 (Finance) am  
3 IN THE LEGISLATURE OF THE STATE OF ALASKA  
4 ELEVENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to alcohol and drug abuse; combining  
7 and changing the membership of the advisory boards on  
8 alcoholism and drug abuse; changing the responsibilities  
9 of the office of alcoholism; amending the alco-  
10 holism grant-in-aid program; and repealing a require-  
11 ment for mandatory discharge of an alcoholic from  
12 involuntary commitment; and providing for an effective  
13 date."

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

15 \* Section 1. AS 04.05.010(a) is amended to read:

16 (a) There is established an Alcoholic Beverage Control Board within  
17 the Department of Revenue consisting of five members appointed for  
18 overlapping three-year terms. The board is vested with the duties,  
19 powers, and responsibilities involved in the control of alcoholic bever-  
20 ages, including the adoption of [PROMULGATION OF RULES AND] regulations  
21 and the hearing of appeals from the action of officers and employees  
22 charged with enforcing the alcoholic beverage control laws [, RULES,]  
23 and regulations. The governor shall appoint the board subject to con-  
24 firmation by the legislature. With the exception of membership on  
25 the Advisory Board on Alcoholism and Drug Abuse, a [NO] member of the  
26 board may not hold any other state or federal office, either elective or  
27 appointive. Two members of the board shall be actively engaged in the  
28 alcoholic beverage industry, except that no member may be an officer,  
29 agent, or employee of a wholesale alcoholic beverage enterprise. No

1 three members of the board may be engaged in the same business, occupa-  
2 tion or profession. Three members constitute a quorum for the conduct  
3 of business. The board shall meet at least once each year in each of  
4 the four judicial districts to study, reconsider and modify existing  
5 agency [RULES AND] regulations in the light of current local problems.

6 \* Sec. 2. AS 47.30.475(b) is amended to read:

7 (b) Money available under this section shall be awarded by the  
8 department to applicants on the basis of community need, but only if the  
9 award is consistent with the annual implementation plan developed under  
10 sec. 1513(b)(2) of P.L. 93-641 by the health systems agency for the  
11 health system area in which the applicant is located and the state  
12 health plan developed by the Statewide Health Coordinating Council under  
13 sec. 1524(c)(2)(A) of P.L. 93-641, and only after consideration of  
14 comment and advice of the Advisory Board on Alcoholism and Drug Abuse.  
15 In awarding grants, the department shall further consider the amount of  
16 money that is available for all applications and whether an application  
17 would contribute to the wise development of a comprehensive program of  
18 alcoholic rehabilitation and prevention.

19 \* Sec. 3. AS 47.30.475(c) is amended to read:

20 (c) Grants shall be awarded in a ratio of 90 [75] percent state  
21 money to 10 [25] percent community money [, EXCEPT THAT IN COMMUNITIES  
22 DESIGNATED AS POVERTY AREAS THE RATIO SHALL BE 90 PERCENT STATE MONEY  
23 TO 10 PERCENT COMMUNITY MONEY,] for the costs of providing staff and  
24 limited improvement, renovation or new construction of facilities for  
25 alcoholic detoxification, rehabilitation or "half-way house" care.  
26 The department may waive all or part of the requirement that state  
27 money be matched by community money if the department finds that  
28 community money is unavailable and waiver of the requirement is in the  
29 best interests of the state. No grant for improving, renovating or

1 constructing may exceed \$50,000 except when there is a lack of appli-  
2 cants for available money and then only with the approval of the Advis-  
3 ory Board on Alcoholism and Drug Abuse. The department is not required  
4 to award all money available under this program, or the full percentages  
5 specified in this subsection, when another source of money is available  
6 or could reasonably be made available to the applicant.

7 \* Sec. 4. AS 47.37.020 is amended to read:

8 Sec. 47.37.020. OFFICE OF ALCOHOLISM AND DRUG ABUSE. An office of  
9 alcoholism and drug abuse is established in the department. The office  
10 shall be headed by a coordinator appointed by the commissioner. The  
11 coordinator shall be a qualified professional who has training and  
12 experience in the organization and administration of treatment services  
13 for persons with medical-social problems. The coordinator is in the  
14 classified service.

15 \* Sec. 5. AS 47.37.050(a) is amended to read:

16 (a) An interdepartmental coordinating committee is created, com-  
17 posed of the coordinator, [AND] the commissioners of health and social  
18 services, education, transportation and public facilities [HIGHWAYS],  
19 labor and public safety, and the director of the Alcoholic Beverage  
20 Control Board. The committee shall meet at least twice annually at the  
21 call of the commissioner of health and social services who is its chair-  
22 man. The committee shall provide for the coordination and exchange of  
23 information on all programs relating to alcoholism and drug abuse, and  
24 act as a permanent liaison among state departments engaged in activities  
25 affecting alcoholics, drug abusers, and intoxicated persons. The commit-  
26 tee shall assist the commissioner of health and social services and the  
27 coordinator in formulating a comprehensive plan for prevention of alco-  
28 holism and drug abuse and for treatment of alcoholics, drug abusers, and  
29 intoxicated persons.

1 \* Sec. 6. AS 47.37.060 is amended to read:

2 Sec. 47.37.060. ADVISORY BOARD ON ALCOHOLISM AND DRUG ABUSE.

3 There is established in the Department of Health and Social Services an  
4 Advisory Board on Alcoholism and Drug Abuse. This board shall function  
5 as a standing committee of the Statewide Health Coordinating Council  
6 established under AS 18.07.011.

7 \* Sec. 7. AS 47.37.070 is amended to read:

8 Sec. 47.37.070. COMPOSITION. The [ADVISORY] board [ON ALCOHOLISM]  
9 consists of a member of the Alcoholic Beverage Control Board selected  
10 by its members and 12 [NINE] members appointed by the governor.

11 \* Sec. 8. AS 47.37.080 is repealed and re-enacted to read:

12 Sec. 47.37.080. QUALIFICATIONS OF APPOINTED BOARD MEMBERS. (a)  
13 Of the 12 appointed members of the board

14 (1) two shall be persons who are licensed to practice  
15 medicine in the state, one of whom shall be certified in psychiatry;

16 (2) one shall be a practicing attorney who has been admitted  
17 to the practice of law by the state supreme court;

18 (3) eight shall be persons who have evidenced an interest in  
19 the problems of alcoholism or drug abuse and who have knowledge of the  
20 social problems associated with alcoholism or drug abuse;

21 (4) one shall be actively engaged in the alcoholic beverage  
22 industry.

23 (b) Of the 12 members qualified under (a) of this section

24 (1) four shall be residents of the northern health systems  
25 area established under 42 U.S.C. 300;

26 (2) four shall be residents of the southcentral health  
27 systems area established under 42 U.S.C. 300;

28 (3) four shall be residents of the southeastern  
29 health systems area established under 42 U.S.C. 300.

1 \* Sec. 9. AS 47.37.090 is repealed and re-enacted to read:

2 Sec. 47.37.090. TERM OF OFFICE. (a) The term of a board member  
3 is four years.

4 (b) A vacancy occurring in the appointive membership of the board  
5 shall be filled by appointment of the governor for the unexpired portion  
6 of the vacated term.

7 (c) Appointed board members serve at the pleasure of the governor.

8 \* Sec. 10. AS 47.37.100 is amended to read:

9 Sec. 47.37.100. COMPENSATION, PER DIEM, OR EXPENSES. Members of  
10 the [ADVISORY] board [ON ALCOHOLISM] are not entitled to a salary, but  
11 are entitled to per diem, reimbursement for travel and other expenses  
12 authorized by law for other boards.

13 \* Sec. 11. AS 47.37.110 is amended to read:

14 Sec. 47.37.110. DUTIES. The board shall act in an advisory capa-  
15 city to the commissioner and the Statewide Health Coordinatin, Council  
16 established under AS 18.07.011 in the following matters:

17 (1) special problems affecting mental health which alcoholism  
18 and drug abuse may present;

19 (2) educational and research activities conducted by the  
20 office in respect to the problems presented by alcoholism and drug  
21 abuse;

22 (3) social problems which affect rehabilitation of alcoholics  
23 and drug abusers;

24 (4) legal processes which affect the treatment and rehabili-  
25 tation of alcoholics and drug abusers;

26 (5) a program of public relations concerning the problem of  
27 alcoholism and drug abuse conducted by a department of the state govern-  
28 ment or by an organized group; [WHOSE PURPOSE IS THE REHABILITATION OF  
29 ALCOHOLICS]

1                   (6) the preparation, review, and approval of local, regional  
2 and statewide plans for the prevention, treatment, and control of alcohol  
3 and drug abuse.

4 \* Sec. 12. AS 47.37.120 is amended to read:

5                   Sec. 47.37.120. [ALCOHOLISM] PROGRAM COORDINATOR. The [ALCO-  
6 HOLISM] program coordinator shall carry out the development and imple-  
7 mentation of a comprehensive program dealing with the treatment of,  
8 research on and education concerning alcoholic problems as they affect  
9 the state.

10 \* Sec. 13. AS 47.37.130(c) is amended to read:

11                   (c) The office shall insure that [PROVIDE] adequate and appropri-  
12 ate treatment is provided to [FOR] alcoholics and intoxicated persons  
13 admitted under AS 47.37.160 - 47.37.190 within the limits of available  
14 state and federal funds.

15 \* Sec. 14. AS 47.37.160(c) is amended to read:

16                   (c) When a patient receiving inpatient care leaves an approved  
17 public treatment facility, he shall be encouraged to consent to appro-  
18 priate outpatient or intermediate treatment. If it appears to the admin-  
19 istrator in charge of the treatment facility that the patient is an  
20 alcoholic who requires help, the administrator [OFFICE] shall arrange  
21 for assistance in obtaining supportive services and residential facili-  
22 ties.

23 \* Sec. 15. AS 47.37.190(a) is amended to read:

24                   (a) After a hearing initiated by petition of his spouse or guardi-  
25 an, a relative, the certifying physician, or the administrator in charge  
26 of an approved public treatment facility, a person may be committed to  
27 the custody of a private or public facility [THE OFFICE] by the superior  
28 court. The petition shall allege that the person is an alcoholic who  
29 habitually lacks self-control in using alcoholic beverages and that he

1 (1) has threatened, attempted to inflict, or inflicted physical harm on  
2 another and that unless committed is likely to inflict physical harm on  
3 another; or (2) is incapacitated by alcohol. A refusal to undergo treat-  
4 ment does not constitute evidence of lack of judgment as to the need for  
5 treatment. The petition shall be accompanied by a certificate of a  
6 licensed physician who has examined the person within two days before  
7 submission of the petition, unless the person whose commitment is sought  
8 has refused to submit to a medical examination, in which case the fact  
9 of refusal shall be alleged in the petition. The certificate shall set  
10 out the physician's findings in support of the allegations of the peti-  
11 tion.

12 \* Sec. 16. AS 47.37.200(a) is amended to read:

13 (a) At the hearing required under AS 47.37.190(b), the court or  
14 the jury, if requested under AS 47.37.190(c), shall hear all relevant  
15 testimony, including, if possible, the testimony of at least one  
16 licensed physician who has examined the person whose commitment is  
17 sought. The person whose commitment is sought shall be present unless  
18 the court believes that his presence is likely to be injurious to him,  
19 in which case the court shall appoint a guardian ad litem to represent  
20 him throughout the proceeding. The court may examine the person in open  
21 court, or if advisable, examine him out of court. If the person has  
22 refused to be examined by a licensed physician, he shall be given an  
23 opportunity to request examination by a court-appointed licensed physi-  
24 cian. If he fails to request a medical examination and there is suffi-  
25 cient evidence to believe that the allegations of the petition are true,  
26 or if the court believes that more medical evidence is necessary, the  
27 court may issue a temporary order committing him to a private or public  
28 facility [THE OFFICE] for a period of not more than five days for pur-  
29 poses of a diagnostic examination.

1 \* Sec. 17. AS 47.37.200(b) is amended to read:

2 (b) If after hearing all relevant evidence, including the results  
3 of any diagnostic examination by the private or public facility [OFFICE],  
4 the court or the jury finds that grounds for involuntary commitment have  
5 been clearly established, the court shall issue an order of commitment  
6 to the private or public facility [OFFICE]. No court may order the  
7 commitment of a person unless it determines that a private or public  
8 facility [THE OFFICE] is able to provide adequate and appropriate treat-  
9 ment for him.

10 \* Sec. 18. AS 47.37.200(c) is amended to read:

11 (c) A person committed under AS 47.37.190 - 47.37.200 shall remain  
12 in the custody of a private or public facility [THE OFFICE] for treat-  
13 ment for a period of up to 30 days. At the end of the 30-day period, he  
14 shall be discharged automatically unless the private or public facility  
15 [OFFICE], before the expiration of the period, obtains a court order for  
16 his recommitment upon the grounds set out in AS 47.37.190(a) for a  
17 further period of up to 90 days. If a person has been committed because  
18 he is an alcoholic likely to inflict physical harm on another, the  
19 private or public facility [OFFICE] shall apply for recommitment if  
20 after examination it is determined that the likelihood still exists.

21 \* Sec. 19. AS 47.37.200(d) is amended to read:

22 (d) A person recommitted under (c) of this section who has not  
23 been discharged by the private or public facility [OFFICE] before the  
24 end of the 90-day period shall be discharged at the expiration of that  
25 period unless the private or public facility [OFFICE], before expiration  
26 of the period, obtains a court order on the grounds set out in AS 47.-  
27 37.190(a) for recommitment for a further period not to exceed 90 days.  
28 If a person has been committed because he is an alcoholic likely to  
29 inflict physical harm on another, the private or public facility [OFFICE]

1 means a treatment agency operating under the direction and control of  
2 the office or providing treatment under this chapter through a contract  
3 with the office under AS 47.37.130(g) or through a grant awarded under  
4 AS 47.30.475, and meeting the standards prescribed in AS 47.37.140(a)  
5 and approved under AS 47.37.140(c);

6 \* Sec. 25. AS 47.37.10(11) is amended to read:

7 (11) "office" means the office of alcoholism and drug abuse  
8 within the Department of Health and Social Services;

9 \* Sec. 26. AS 47.37.270 is amended by adding a new paragraph to read:

10 (13) "board" means the Advisory Board on Alcoholism and Drug  
11 Abuse established under AS 47.37.060.

12 \* Sec. 27. AS 44.29.100 - 44.29.140 and AS 47.37.200(g) are repealed.

13 \* Sec. 28. The terms of the present members of the Advisory Board on  
14 Alcoholism and the Advisory Board on Drug Abuse terminate on the effective  
15 date of this Act. Appointments to the Advisory Board on Alcoholism and Drug  
16 Abuse shall be made in accordance with this Act. A person presently serving  
17 on either of those boards who meets the qualifications of this Act may be  
18 appointed to the Advisory Board on Alcoholism and Drug Abuse.

19 \* Sec. 29. Section 1 of this Act takes effect on the effective date of  
20 an Act continuing the existence of the Alcoholic Beverage Control Board.

1 shall apply for recommitment if after examination it is determined that  
2 the likelihood still exists. No more than two recommitment orders may be  
3 permitted under (c) and (d) of this section.

4 \* Sec. 20. AS 47.37.200(f) is amended to read:

5 (f) A private or public facility [THE OFFICE] shall provide ade-  
6 quate and appropriate treatment for a person in its custody. A public  
7 facility [THE OFFICE] may transfer a person in its custody from one  
8 approved public treatment facility to another if the transfer is medic-  
9 ally advisable.

10 \* Sec. 21. AS 47.37.230(a) is amended to read:

11 (a) Cities [THE OFFICE AND CITIES] and boroughs may establish  
12 emergency service patrols. An emergency service patrol consists of  
13 persons trained to give assistance in public places to persons who are  
14 intoxicated. Members of an emergency service patrol shall be capable of  
15 providing first aid in emergency situations and shall be capable of  
16 transporting intoxicated persons to their homes and to and from public  
17 treatment facilities.

18 \* Sec. 22. AS 47.37.240(a) is amended to read:

19 (a) A patient in an approved treatment facility, or the person  
20 obligated to provide for the cost of treatment of a person committed  
21 under this chapter, is liable to the public or private facility [OFFICE]  
22 for the cost of maintenance and treatment of the patient in accordance  
23 with rates established by the coordinator.

24 \* Sec. 23. AS 47.37.270(2) is amended to read:

25 (2) "approved private treatment facility" or "private facil-  
26 ity" means a private agency meeting the standards prescribed in AS 47.-  
27 37.140(a) and approved under AS 47.37.140(c);

28 \* Sec. 24. AS 47.37.270(3) is amended to read:

29 (3) "approved public treatment facility" or "public facility"

# State of Alaska



## THE LEGISLATURE

\*HONORING - KAY LINTON\*

The Legislature salutes Mrs. Kay Linton, first Alaskan in sixty-five years to be selected to the International Board of Directors of the General Federation of Women's Clubs.

Kay Linton, wife, mother and homesteader, has, during the past two years as President of the Alaska Federation of Women's Clubs, devoted thousands of hours to a variety of public service projects. The projects she and other Club members have participated in include a statewide educational program on Fetal Alcohol Syndrome, purchase of a narcotics detection dog and organizing the FREE (Federation's Role in our Enterprise Economy) Committee.

The Federation is further working with the Alaska State Park System for beautification and the preservation of historic landmarks as well as working with the Anchorage Chamber of Commerce on the Aluminum Recycling and Hands-Up-Operation Ident Programs. They have been presenting factual information to the nation concerning Alaska's d-2 lands, as well as working through voluntarism to stabilize the family unit with special emphasis on health, the elderly, and handicapped children.

Our appreciation goes to Kay for promoting statewide voluntarism among Alaskan women, in a constructive, orderly, and effective manner. We are very proud of Kay Linton as an Alaskan and want her to know that her efforts on behalf of all who live in our State have not gone unnoticed.

---

SPEAKER OF THE HOUSE

PRESIDENT OF THE SENATE

Date:

Requested by: Senator Colletta

AGO 787289

# State of Alaska



## THE LEGISLATURE

\*HONORING - PARTICIPANTS IN THE 22ND ALASKA SPELLING BEE\*

The Alaska Legislature wishes to honor the participants in the 22nd Annual Alaska Spelling Bee. Each of those who took part in this year's event displayed remarkable ability and proved beyond doubt their expertise.

We wish to commend Eleanor Fye of Anchorage, this year's champion, and her parents Gary and Trudy Fye. Andy Preston of Bethel also deserves high praise for his efforts and his runner-up finish in the Bee.

Alaska can be proud of all of the participants in this year's event. Each of them arrived at the Spelling Bee as a result of their own hard work and their knowledge of language.

Our congratulations to the winner from each participating school. All who took part in the Spelling Bee can be proud to have contributed. We wish them all continued success in their studies and in their future life.

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SPEAKER OF THE HOUSE

PRESIDENT OF THE SENATE

Date:

Requested by:

Senator Colletta

*Holman*

# State of Alaska



## THE LEGISLATURE

### \*IN MEMORIAM - BRONWEN JONES\*

The members of the Alaska Legislature are grieved to learn of the passing of Bronwen Jones, a pioneer Alaskan who first came to Alaska in 1917 to assist her husband in coal mining.

Bronwen Jones worked side by side with her husband in the early years developing coal mines and in other endeavors that took her from Moose Creek to Eska, from Eska to Admiralty Island, to Homer, Wasilla and Palmer. Her spirit, strength and energy contributed mightily to the development of the Evan Jones Coal Company and the Jonesville Mine.

The many long term Alaskans who knew Bronwen Jones in the early years, and later, will testify to her warmth and vitality and to her courage and determination. In so many ways she typified the spirit of early day Alaskans, the men and women who saw each new challenge as simply another days work.

For sixty-two years Bronwen Jones gave her strength to Alaska, and we, the members of the Legislature will not forget her contributions.

Our deepest sympathy to the daughters of Evan and Bronwen Jones and to the grandchildren.

\_\_\_\_\_  
SPEAKER OF THE HOUSE

\_\_\_\_\_  
PRESIDENT OF THE SENATE

Date:

Requested by: Senator Kerttula & Rep. Carney

AGO 787291



## THE LEGISLATURE

\*HONORING - RODGER FAINTER\*

The State of Alaska commends Rodger Painter for his efforts as editor of the Alaska Fisherman now the most respected fisheries publication in the state.

For the past two years, Mr. Painter has devoted considerable talent and time towards improvements in the Alaska Fisherman; in so doing, he has increased the public's awareness of the importance of Alaska's fisheries as a valuable renewable resource and one of the state's most promising industries. Additionally, under Mr. Painter's guidance the Alaska Fisherman has become increasingly valuable as a forum for information, dissent and discussion within the fishing community.

Mr. Painter steps down from the editorship this month, and the Eleventh Alaska Legislature acknowledges his accomplishments.

5/29/66 aff.  
SPEAKER OF THE HOUSE

\_\_\_\_\_  
PRESIDENT OF THE SENATE

Date:

Requested by:

Representative Parker

*By all Members of the House*



## THE LEGISLATURE

\*IN MEMORIAM - NETTIE JONES ELLISON\*

The Legislature wishes to call to the attention of all Alaskans the significant contributions made to our state by Nettie Jones Ellison who passed away in December of 1979.

Born at Wrangell in 1894 and christened Nathalia, she was a long time resident of Wrangell and Ketchikan. She was a member of the Alaska Native Sisterhood.

But Nettie will best be remembered for her courage and determination in a court case at Ketchikan in 1929; a case that resulted in Nettie's daughter being admitted to a school which, until that time, had not granted native children access to its classrooms. It was a difficult time for Nettie and her children. It was a period that each of them still remembers. Nettie Jones Ellison had to stand alone, between the white and native communities, and fight for what she knew to be right.

Perhaps it is difficult for Alaskans of today to recall such incidents. It is surely painful for those who were involved and, perhaps embarrassing for those of us who were not.

Surely all Alaskans will admire the courage and determination of Nettie Jones Ellison. We wish to share with all citizens of our state the remembrance of her challenge and her achievement.

*Apprec 5/29*  
SPEAKER OF THE HOUSE

\_\_\_\_\_  
PRESIDENT OF THE SENATE

Date:

Requested by: Representatives Gardiner and Freeman  
and Senator Ziegler



# THE LEGISLATURE

\*HONORING - JUNEAU'S INDIAN DANCERS\*

The Legislature wishes to honor and commend the Indian Dancers sponsored by the Juneau Indian Studies Program for their outstanding performance during the 3rd celebration of First Americans Emphasis Week on March 13 and 14, 1980.

The Indian Dancers, organized and led by Kathy Dennis, were acclaimed throughout the two-day festival and were finally chosen as the most representative dance group of the celebration.

Members of the dance group were:

Pamela Hammond	Danny Hammond	Jocelyn Marks	Rhoeda Dalton
Dianne McKinley	Pam Dalton	Gail Marvin	Diane Milton
Kathy Milton	Marsha Johnson	Elena Webster	Richard Whitcraft
Ron Whitcraft II	Joshua Garnick	Sam Gowen	Dale Gowen

The cooperation of the Juneau Tlingit-Haida Central Council, Alaska Native Sisterhood and Brotherhood, the University of Alaska, Bureau of Indian Affairs and the members of the Juneau Indian Studies Program served to make this year's event one that will be long remembered.

*App. no. 5/29*  
\_\_\_\_\_  
SPEAKER OF THE HOUSE

\_\_\_\_\_  
PRESIDENT OF THE SENATE

Date:

Requested by:

Representative <sup>S</sup>Duncan and *Miller and*  
Representative ~~Miller~~ *Senator Kay*

AGO 787294

3/25/00  
*[Signature]*



# THE LEGISLATURE

## \*HONORING THE KODIAK GIRLS BASKETBALL TEAM\*

The Legislature wishes to honor the members of the Kodiak Bears Girls Varsity Basketball team.

This is the fourth year the Kodiak Bears have participated in the Alaska State Girls Basketball Tournament and the second year they have finished in the top three.

Playing against teams from much larger schools, the girls from Kodiak have created tremendous excitement during each game in which they participated. They are an enthusiastic and skilled group of young ladies who are as spirited off the basketball court as they are on it.

To reach the State Tournament the Kodiak Bears captured the Region III Championship in a hard fought battle.

The entire Kodiak community has a right to be proud of the Kodiak Bears Girls Basketball team, as are all members of the Legislature.

Alaska looks forward to grand accomplishments in years to come from the team members of the Kodiak Bears.

*[Signature]* 5/23  
\_\_\_\_\_  
SPEAKER OF THE HOUSE

\_\_\_\_\_  
PRESIDENT OF THE SENATE

Date:

Requested by: Representative Zharoff



# THE LEGISLATURE

\*HONORING - MARGARET McVEY\*

The Eleventh Alaska Legislature pauses today to recognize Margaret McVey on the occasion of her retirement from the Sitka School District.

Born in Chatham, Margaret, a Tlingit Indian, has lived her life in Southeastern Alaska. Her father, Andrew Hope, was one of the first native delegates to the territorial government. Her husband, William McVey, is a commercial fisherman out of Sitka.

Margaret's first teaching position was with the Bureau of Indian Affairs at Mount Edgecumbe. She interrupted her career to devote time to raising her four children; Marsha, Steve, Melissa and Donald. When she continued again she taught elementary classes for the Sitka School District. Her last fourteen years with the district have been as a librarian.

Over the years, Margaret has not only found time to raise a family and pursue a professional career, but she has also remained involved with contemporary issues in her community and state. Her work with women's groups and the National Education Association is appreciated and respected. Margaret also spends time preparing and delivering ethnic foods to the elderly people of the community. Her thoughtfulness and abiding respect for the wisdom of our preceding generations is a lesson to us all.

May 22nd, 1980, marks 25 years of service in the teaching profession for Margaret McVey. We extend to her our congratulations on many jobs well done and wish her continued success in her future endeavors.

*Cyap WC 5/23*  
\_\_\_\_\_  
SPEAKER OF THE HOUSE

\_\_\_\_\_  
PRESIDENT OF THE SENATE

Date:

Requested by:

Representative Eliason,  
*Senator McLeod*

*Senator Thomas*



## THE LEGISLATURE

\*IN MEMORIAM - JOSEPH WILHOUR\*

The members of the Alaska Legislature are deeply saddened to learn of the death of a greatly respected friend, Mr. Joseph Wilhour of Wasilla.

Joe Wilhour, who arrived in Alaska in 1941, worked long and hard for his family. He began as an ironworker at Kodiak and at the time of his death operated Ptarmigan Enterprises of Wasilla and was involved in property management.

Nearly every member of the Legislature has had an opportunity to meet with Joe as he carried his firm convictions to the Capital. Arguing forcefully and honestly on behalf of his friends and neighbors - he always maintained the respect of the Legislators. We will miss his straightforward and unpretentious presentation of information which he felt would be of value to this body in its deliberations.

Joe Wilhour represented a spirit and vitality; an honesty and integrity that makes Alaska a better place to live. We will miss him.

We extend, on behalf of all Alaskans, deepest sympathy to Jane Wilhour and their daughter Susan and sons Nathan, Gilbert and Joshua.

*Approved 5/24*  
\_\_\_\_\_  
SPEAKER OF THE HOUSE

\_\_\_\_\_  
PRESIDENT OF THE SENATE

Date:

Requested by:

*By the House Resources Committee  
Representative Miles  
By all members of the House*

AGO 787297



## THE LEGISLATURE

\*IN MEMORIAM - JACK R. ATWATER\*

The Legislature is shocked and deeply saddened to learn of the tragic death of a hardworking and outgoing young Alaskan, Jack R. Atwater.

Jack Atwater's many friends and admirers can only accept the fact that if tragedy were to overtake him it would occur while he was working. Jack Atwater was a tireless worker, committing his time, enthusiasm and varied talents to several family owned enterprises, yet, there was always time for family and friends, for relaxed moments at the end of the day.

Alaska needs young men like Jack Atwater. It was men and women with his spirit and vitality that built Alaska. His loss will be deeply felt by his friends and family, and community. And, because he offered so much to our state and it's future, his loss will surely be felt by all Alaskans.

We express to Jack's parents, family and friends, our deepest sense of grief and our prayers for their strength at this sad time.

*Carroll*  
\_\_\_\_\_  
SPEAKER OF THE HOUSE

\_\_\_\_\_  
PRESIDENT OF THE SENATE

Date:

Requested by Representatives Halford, Cotten  
Martin and Phillips

HB 904

May 8, 1980

MEMORANDUM

To: Senator Sackett

From: Garrey Peska

Subject: Dept. of Natural Resources Budget - Project Title:  
Audit of Monthly Royalty Reports

The Royalty Income Accounting Component in the Oil and Gas Management BRU has a fiscal year '81 budget of \$200,300. as approved by the Governor, House and Senate.

The duties and responsibilities of this component will be transferred to the Department of Revenue with passage of HB 904, now in Senate Finance. The bill was introduced at the Governor's request, has passed the House and is expected to pass the Senate -- with your support.

The Department of Revenue has said that with about \$20,000 in travel funds (fiscal note for HB 904 will cover this) they will design an overall audit program with existing personnel which will be submitted with their FY '82 budget request. New positions, if necessary, will be requested at that time.

I recommend that the DNR Royalty Income Accounting component be deleted from the FY '81 budget.

THE LEGISLATURE OF THE STATE OF ALASKA  
ELEVENTH LEGISLATURE

FISCAL NOTE

I. REQUEST  
 Bill/Resolution No. HB 904 (Revised)  
 Title Relating to auditing of oil & gas royalty & net profits payments & reports.  
 Requested by Governor Date 5/8/80

II. FISCAL DETAIL  
 Agency Affected \_\_\_\_\_  
 Program Category Affected \_\_\_\_\_  
 BRU, Program, or Subprogram(s) Affected \_\_\_\_\_  
 (Note: If more than one budget component is affected, separate line-item amounts and funding for each component in the analysis section.)

EXPENDITURES (Thousands of Dollars)

	FY 80	FY 81	FY 82	FY 83	FY 84	FY 85
100 PERSONAL SERVICES						
200 TRAVEL	-0-	17.4	18.0	18.0	18.0	18.0
300 CONTRACTUAL						
400 COMMODITIES		.6				
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC.						
<b>TOTAL</b>	<b>-0-</b>	<b>18.0</b>	<b>18.0</b>	<b>18.0</b>	<b>18.0</b>	<b>18.0</b>

FUNDING (Thousands of Dollars)

	FY 80	FY 81	FY 82	FY 83	FY 84	FY 85
GENERAL FUND		18.0	18.0	18.0	18.0	18.0
FEDERAL FUNDS						
OTHER (Specify Fund Source)						

POSITIONS

	FY 80	FY 81	FY 82	FY 83	FY 84	FY 85
FULL TIME						
PART TIME						
TEMPORARY						

III. ANALYSIS (See Fiscal Note Preparation Instructions, Section III) In the interest of getting the royalty-audit function transferred to the Department of Revenue, we have revised our original fiscal note and dropped the request for two positions for the first start-up year of operation. We intend to document this first year's experience and, if we continue to feel that the positions requested are justified, we will present the request as a component of next year's operating budget. It should be pointed out that the added royalty-audit function will result in a decrease in the total number of income and production tax audits performed by the same number of auditors.

There is, however, a substantial need to allocate at least \$18.0 thousand for the first year to cover additional travel and commodity expenses arising from the added royalty-audit function. That amount consists of: (1) \$12.6 thousand to cover per diem and expenses incurred when outside audit trips are lengthened through additional royalty audit duties; (2) \$4.8 thousand to cover an estimated four additional outside trips not linked directly to a tax audit; and (3) \$600 in commodities.

IV. DATE 5/8/80 PREPARED BY Joseph K. Donohue  
 AGENCY Revenue  
 PHONE 465-2300  
 Original: Legislative Finance  
 cc: Budget and Management  
 Prime Sponsor (First Legislator Named)

HOUSE JOURNAL

HOUSE FINANCE COMMITTEE

Letter of Intent

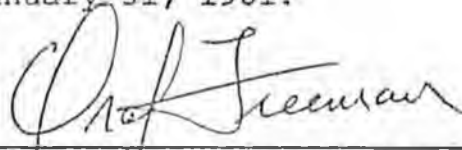
HB 904

The Finance Committee approves the concept embodied in HB 904 of shifting audit responsibilities for oil and gas royalty and net profit share payments from the Department of Natural Resources to the Department of Revenue, and the sharing of confidential data by the two departments. The Division of Legislative Audit first noted the need for the comprehensive audit of royalty returns in a report entitled A Review of Oil and Gas Revenue Collection - 1973. In a more recent report, A Review of Petroleum Revenues, Department of Revenue, Department of Natural Resources, Alaska Oil and Gas Conservation Commission (January 24, 1979), the Division repeated its recommendation from the 1973 report that the Department of Revenue's Division of Petroleum Revenue should conduct field audits to verify the accuracy of oil and gas royalty returns. HB 904 expands this recommendation to include verification of net profit share payments by the Department of Revenue. Enactment of HB 904 will ensure that the State receives fair value for its royalty and net profit share payments and avoids the duplication of auditing personnel and responsibilities between the two departments.

In addition, the Finance Committee intends that the Departments of Revenue and Natural Resources report jointly to the First Session of the Twelfth Alaska Legislature on the following related matters:

- (1) the responsibilities of the new positions in the Petroleum Revenue Division and whether they overlap with the duties of employees in the Department of Natural Resources;
- (2) whether the accounting, collection, and enforcement of royalty and net profit share payments also can be shifted from the Department of Natural Resources to the Department of Revenue.

This report is to be made by January 31, 1981.



---

Oral Freeman, Vice Chairman



STATE OF ALASKA  
OFFICE OF THE GOVERNOR  
JUNEAU

HB 904

February 22, 1980

The Honorable Terry Gardiner  
Speaker of the House  
Alaska State Legislature  
Pouch V  
Juneau, Alaska 99811

Dear Mr. Speaker:

Under authority of art. III, sec. 18, of the Alaska Constitution, I am transmitting a bill relating to the auditing of oil and gas royalty and net profits payments and reports. This bill would assist the Department of Natural Resources in performing its responsibilities under AS 38.05 by authorizing the Department of Revenue to audit royalty and net profits payments under oil and gas leases, contracts, or agreements. Functions other than the audit function are not affected by this bill.

At the present time, the Department of Natural Resources collects royalty payments and is responsible for ascertaining the correctness of those payments. When the leases which provide the state a share of net profits begin producing oil or gas, the Department of Natural Resources would, under present statutes, also collect and be responsible for auditing net profits payments.

The Department of Revenue currently collects and is responsible for auditing, among other taxes, the Oil and Gas Production Tax (AS 43.55) and the Oil and Gas Corporate Income Tax (AS 43.21). The information required for verification of royalty payments is largely the same information which the Department of Revenue uses to ascertain the correctness of production tax returns. Likewise, the same information is required to audit net profits payments as to audit the corporate income tax.

Under present law, two groups of auditors, one in the Department of Natural Resources and one in the Department of Revenue would be required to review the same infor-

mation. The bill I propose would eliminate this duplication by allowing one staff of auditors to perform simultaneous or package audits under AS 38.05 and AS 43.

Confidentiality of information under AS 38.05 and AS 43 is unchanged by this bill except that the Department of Revenue will, in the course of its audit functions, be able to obtain information held confidential by the Department of Natural Resources and the Department of Natural Resources will be provided with information confidential under AS 43 to the extent it is related to royalty or net profits payments. Information that is confidential when held by one department and provided to the other department will remain confidential in the hands of the other department to the same extent as when held by the original department.

It should be noted that the Legislative Audit Division has recommended the concept embodied in this bill; see Recommendation #7 of its report dated January 24, 1979. I believe that this bill will promote efficiency and ease in auditing payments made to the state by oil and gas companies.

Sincerely,

S/JS#

Jay S. Hammond  
Governor

THE LEGISLATURE OF THE STATE OF ALASKA  
ELEVENTH LEGISLATURE

#032

FISCAL NOTE

I. REQUEST HOUSE BILL NO. 904  
 Bill/Resolution No. \_\_\_\_\_  
 Title "Legislation Implementing Royalty Audit Function"  
 Requested by \_\_\_\_\_ Date \_\_\_\_\_

II. FISCAL DETAIL  
 Agency Affected Department of Revenue  
 Program Category Affected General Government  
 BRU, Program, or Subprogram(s) Affected Petroleum Revenue  
 (Note: If more than one budget component is affected, separate line-item amounts and funding for each component in the analysis section.)

EXPENDITURES (Thousands of Dollars)

	FY 80	FY 81	FY 82	FY 83	FY 84	FY 85
100 PERSONAL SERVICES	-0-	80.0	80.0	80.0	80.0	80.0
200 TRAVEL	-0-	18.0	18.0	18.0	18.0	18.0
300 CONTRACTUAL	-0-	4.0	4.0	4.0	4.0	4.0
400 COMMODITIES	-0-	.5	.5	.5	.5	.5
500 EQUIPMENT	-0-	2.0	-0-	-0-	-0-	-0-
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC.						
TOTAL		104.5	102.5	102.5	102.5	102.5

FUNDING (Thousands of Dollars)

GENERAL FUND		104.5	102.5	102.5	102.5	102.5
FEDERAL FUNDS						
OTHER (Specify Fund Source)						

POSITIONS

FULL TIME		2	2	2	2	2
PART TIME						
TEMPORARY						

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

The staffing requested is necessary to complete the transfer of this function from the Department of Natural Resources to the Petroleum Revenue Division, and to insure the capability of the Petroleum Revenue Division to audit the applicable records of all taxpayers covered by AS 38.05. The positions listed above are 2 Range 21 auditors. Travel funds are required because records of the taxpayers are primarily located in corporate offices in various locations in the lower 48 states.

IV. DATE 11/11/80  
1/2/80 PREPARED BY Robert M. Johnson  
 AGENCY Department of Revenue  
 PHONE 276-1367  
 Original: Legislative Finance  
 cc: Budget and Management  
 Prime Sponsor (First Legislator Named)

THE LEGISLATURE OF THE STATE OF ALASKA  
ELEVENTH LEGISLATURE

#032

FISCAL NOTE

I. REQUEST  
 Bill/Resolution No. HOUSE BILL NO. 904  
 Title "Legislation Implementing Royalty Audit Function"  
 Requested by \_\_\_\_\_ Date \_\_\_\_\_

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 Agency Affected Department of Revenue  
 - Program Category Affected General Government  
 BRU, Program, or Subprogram(s) Affected Petroleum Revenue  
 (Note: If more than one budget component is affected, separate line-item amounts and funding for each component in the analysis section.)

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200 TRAVEL	-0-	18.0	18.0	18.0	18.0	18.0
300 CONTRACTUAL	-0-	4.0	4.0	4.0	4.0	4.0
400 COMMODITIES	-0-	.5	.5	.5	.5	.5
500 EQUIPMENT	-0-	2.0	-0-	-0-	-0-	-0-
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC.						
TOTAL		104.5	102.5	102.5	102.5	102.5

FUNDING (Thousands of Dollars)

GENERAL FUND		104.5	102.5	102.5	102.5	102.5
FEDERAL FUNDS						
OTHER (Specify Fund Source)						

POSITIONS

FULL TIME		2	2	2	2	2
PART TIME						
TEMPORARY						

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

The staffing requested is necessary to complete the transfer of this function from the Department of Natural Resources to the Petroleum Revenue Division, and to insure the capability of the Petroleum Revenue Division to audit the applicable records of all taxpayers covered by AS 38.05. The positions listed above are 2 Range 21 auditors. Travel funds are required because records of the taxpayers are primarily located in corporate offices in various locations in the lower 48 states.

IV. DATE 11/4/80  
4/7/86 PREPARED BY Robert H. Johnson  
 AGENCY Department of Revenue  
 Original: Legislative Finance PHONE 276-1363  
 cc: Budget and Management  
 Prime Sponsor (First Legislator Named)

**CATEGORY:** GENERAL GOVERNMENT  
**PROGRAM:** REVENUE COLLECTION AND MANAGEMENT

**AGENCY:** REVENUE  
**BRU (S):** AUDIT; PETROLEUM REVENUE; ENFORCEMENT; TREASURY MANAGEMENT; ADMINISTRATION AND SUPPORT

All Department of Revenue BRU's in the Revenue Collection and Management cover program are included herein. A major emphasis on identifying the "invisible taxpayer" is planned in the FY 01 budget, primarily in the BRUs of Audit, Enforcement, and Administration and Support.

The goals of the Audit BRU are to achieve effective compliance by taxpayers with the tax laws of Alaska, and to raise revenues through an effective audit program. The Revenue Audit staff concentrates on corporate and individual income tax, estate taxes, excise taxes, business license tax, fisheries tax, mining license tax, and the issuance of permits for games or skill or chance.

The goals of the Petroleum Revenue BRU are to administer state taxes on oil and gas production, which includes the State oil and gas property tax, oil and gas production tax and the oil and gas corporate income tax, and also to coordinate with local governments also taxing that property. The Division of Petroleum Revenue also generates revenue estimates for the State of projected oil and gas related revenues.

The goal of the Enforcement BRU is to enforce the collection of taxes from all taxpayers in a fair and equitable manner. The Division is responsible for billing and collecting all delinquent tax accounts.

The goals of the Treasury Management BRU are to manage available funds for a maximum return consistent with statutory limitations; to place general bonded debt as needed for capital projects at minimum cost to the State; and to report the management of funds in accordance with current reporting standards. The Treasury Management Division works closely with the State Bond Committee in performing these functions. Fund management is centralized for the Public Employees Retirement Fund, the Teachers Retirement Fund, and the General Fund, as well as other special funds.

The Administration and Support BRU includes the Office of the Commissioner, Administrative Services, and Fish and Game Licensing. The Commissioner's Office oversees all functions of the Department of Revenue. The Research Section, under the Office of the Commissioner, performs special studies in analyzing and developing revenue sources, as well as projecting State cash flow through revenue estimating models and information provided by State agencies. The Administrative Services component provides centralized general services for the Department of Revenue, including personnel, budget, payroll, purchasing, mail, etc. This section also provides certain technical services such as administering business licenses, processing tax and license remittances, and initial processing of tax returns. The Fish and Game Licensing component is being transferred to this BRU from the Natural Resources category for FY 01. This component processes revenues received from the sales of Fish and Game licenses statewide. Most of the licenses are sold by contract vendors such as sporting goods stores.

COMPONENT DESCRIPTION	79 AUTH	79 FINAL	79 ACT	80 AUTH	80 SUPL	80 RP	GOVERNOR
AUDIT	2461.5	2530.6	2513.1	2691.6			3223.6
PETROLEUM REVENUE	1279.6	1240.1	1187.3	1435.0			1447.2
ENFORCEMENT	1196.5	1335.4	1324.7	1217.0			1366.3
TREASURY MANAGEMENT	1232.3	1227.9	1120.3	1357.1			1436.9
OFFICE OF THE COMMISSIONER	877.3	1077.4	1054.4	757.6			964.5
ADMINISTRATIVE SERVICES	1630.0	1783.7	1746.5	1773.6			2361.4
FISH AND GAME LICENSING	572.1	560.6	531.6	259.0			298.0
** TOTAL	9249.3	9775.7	9477.9	9490.9			11097.9
** CHANGE VERSUS 80 AUTH							16.9%
OBJECT DESCRIPTION							
PERS. SERV.	6294.0	6685.5	6654.2	6784.4			7519.5
TRAVEL	336.8	333.8	316.3	315.7			419.6
CONTRACTUAL	2218.2	2320.1	2075.1	2031.5			2728.1
COMMODITIES	68.5	69.3	59.0	58.2			80.9
EQUIPMENT	23.5	58.7	65.3				37.0
LANDS/BLDG	308.3	308.3	308.0	301.1			312.8
FUNDING SOURCE							
GENERAL FUND	8446.3	9040.7	8835.4	8956.9			10520.7
PGM RECEIPTS	308.0	240.0	217.5				
OTHER FUNDS	495.0	495.0	425.0	534.0			577.2
** GENERAL FUND CHANGE VS. 80 AUTH							17.4%
POSITIONS							
FULL-TIME	220.0	220.0	220.0	224.0			237.0
PART-TIME	8.0	8.0	8.0	8.0			21.0
TEMPORARY	14.0	14.0	14.0	13.0			
STAFF MONTHS	2715.1	2715.1	2715.1	2784.0			2944.2

5/12 Rec'd after bill rept'd out

THE LEGISLATURE OF THE STATE OF ALASKA  
ELEVENTH LEGISLATURE

FISCAL NOTE

I. REQUEST

Bill/Resolution No. HB 904 (Revised)  
Title Relating to auditing of oil & gas royalty & net profits payments & reports.  
Requested by Governor Date 5/8/80

II. FISCAL DETAIL

Agency Affected \_\_\_\_\_  
Program Category Affected \_\_\_\_\_  
BRU, Program, or Subprogram(s) Affected \_\_\_\_\_  
(Note: If more than one budget component is affected, separate line-item amounts and funding for each component in the analysis section.)

EXPENDITURES (Thousands of Dollars)

	FY 80	FY 81	FY 82	FY 83	FY 84	FY 85
100 PERSONAL SERVICES						
200 TRAVEL	-0-	17.4	18.0	18.0	18.0	18.0
300 CONTRACTUAL						
400 COMMODITIES		.6				
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC.						
TOTAL	-0-	18.0	18.0	18.0	18.0	18.0

FUNDING (Thousands of Dollars)

GENERAL FUND		18.0	18.0	18.0	18.0	18.0
FEDERAL FUNDS						
OTHER (Specify Fund Source)						

POSITIONS

FULL TIME						
PART TIME						
TEMPORARY						

III. ANALYSIS (See Fiscal Note Preparation Instructions, Section III) In the interest of getting the royalty-audit function transferred to the Department of Revenue, we have revised our original fiscal note and dropped the request for two positions for the first start-up year of operation. We intend to document this first year's experience and, if we continue to feel that the positions requested are justified, we will present the request as a component of next year's operating budget. It should be pointed out that the added royalty-audit function will result in a decrease in the total number of income and production tax audits performed by the same number of auditors.

There is, however, a substantial need to allocate at least \$18.0 thousand for the first year to cover additional travel and commodity expenses arising from the added royalty-audit function. That amount consists of: (1) \$12.6 thousand to cover per diem and expenses incurred when outside audit trips are lengthened through additional royalty audit duties; (2) \$4.8 thousand to cover an estimated four additional outside trips not linked directly to a tax audit; and (3) \$600 in commodities.

IV. DATE 5/8/80 PREPARED BY Joseph K. Donohue  
AGENCY Revenue  
PHONE 465-2300  
Original: Legislative Finance  
cc: Budget and Management  
Prime Sponsor (First Legislator Named)



# RECORDS



# CERTIFICATION

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

James O Smith  
Signature of Camera Operator

3/20/90  
Date

5/12 Rec'd after bill rept'd out

THE LEGISLATURE OF THE STATE OF ALASKA  
ELEVENTH LEGISLATURE

FISCAL NOTE

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There is, however, a substantial need to allocate at least \$.8.0 thousand for the first year to cover additional travel and commodity expenses arising from the added royalty-audit function. That amount consists of: (1) \$12.6 thousand to cover per diem and expenses incurred when outside audit trips are lengthened through additional royalty audit duties; (2) \$4.8 thousand to cover an estimated four additional outside trips not linked directly to a tax audit; and (3) \$600 in commodities.

IV. DATE 5/8/80 PREPARED BY Joseph K. Donohue  
AGENCY Revenue  
PHONE 465-2300  
Original: Legislative Finance  
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Prime Sponsor (First Legislator Named)



# HOUSE JOURNAL

## HOUSE FINANCE COMMITTEE

### Letter of Intent

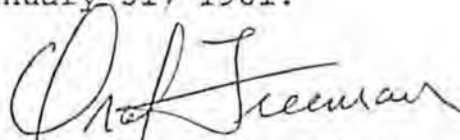
HB 904

The Finance Committee approves the concept embodied in HB 904 of shifting audit responsibilities for oil and gas royalty and net profit share payments from the Department of Natural Resources to the Department of Revenue, and the sharing of confidential data by the two departments. The Division of Legislative Audit first noted the need for the comprehensive audit of royalty returns in a report entitled A Review of Oil and Gas Revenue Collection - 1973. In a more recent report, A Review of Petroleum Revenues, Department of Revenue, Department of Natural Resources, Alaska Oil and Gas Conservation Commission (January 24, 1979), the Division repeated its recommendation from the 1973 report that the Department of Revenue's Division of Petroleum Revenue should conduct field audits to verify the accuracy of oil and gas royalty returns. HB 904 expands this recommendation to include verification of net profit share payments by the Department of Revenue. Enactment of HB 904 will ensure that the State receives fair value for its royalty and net profit share payments and avoids the duplication of auditing personnel and responsibilities between the two departments.

In addition, the Finance Committee intends that the Departments of Revenue and Natural Resources report jointly to the First Session of the Twelfth Alaska Legislature on the following related matters:

- (1) the responsibilities of the new positions in the Petroleum Revenue Division and whether they overlap with the duties of employees in the Department of Natural Resources;
- (2) whether the accounting, collection, and enforcement of royalty and net profit share payments also can be shifted from the Department of Natural Resources to the Department of Revenue.

This report is to be made by January 31, 1981.



---

Oral Freeman, Vice Chairman

Introduced: 2/22/80  
Referred: Resources and  
Finance

1 IN THE HOUSE

BY THE RULES COMMITTEE BY  
REQUEST OF THE GOVERNOR

2 HOUSE BILL NO. 904

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 ELEVENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to the auditing of oil and gas  
7 royalty and net profits payments and reports; and  
8 providing for an effective date."

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

10 \* Section 1. AS 38.05.035(a)(9)(D) is amended to read:

11 (D) except as provided in AS 38.05.036, cost data and  
12 financial information submitted in support of applications,  
13 bonds, leases and similar items;

14 \* Sec. 2. AS 38.05 is amended by adding a new section to read:

15 Sec. 38.05.036. AUDIT OF ROYALTY AND NET PROFIT PAYMENTS. (a)

16 The Department of Revenue shall audit reports, payments, and payments  
17 due relating to royalty and net profits under oil and gas contracts,  
18 agreements, or leases under this chapter.

19 (b) The Department of Revenue may inspect all reports and other  
20 information filed in support of or relating to royalty and net profits  
21 payments, whether or not that information is confidential, and shall  
22 hold that information confidential to the extent required under oil and  
23 gas agreements, contracts, or leases, or by this chapter or AS 43.05.-  
24 230.

25 (c) All information obtained by the Department of Revenue relating  
26 to royalty and net profits payments, including information obtained  
27 under AS 43, may be made available to the department, in the form of  
28 summaries and, when in furtherance of the department's royalty and net  
29 profits functions, relevant portions of the audits. Information made

1 available to the department that was obtained under AS 43 is confiden-  
2 tial and subject to the provisions of AS 43.05.230.

3 (d) The Department of Revenue may conduct audits under this  
4 section concurrently with audits or investigations under AS 43, and may  
5 use information obtained from the department in tax audits, investiga-  
6 tions, or proceedings under AS 43.

7 (e) In this section, "audit" means the process of obtaining suf-  
8 ficient competent evidentiary matter through inspection, observation,  
9 inquiry, and confirmation to afford a reasonable basis for ascertaining  
10 the compliance by the subject of the audit with the applicable law,  
11 regulation, lease, agreement, and contract terms; it does not include  
12 any other actions necessary to administer AS 38.05 pertaining to oil  
13 and gas royalty and net profits payments, including daily accounting  
14 functions, certification procedures associated with those accounting  
15 functions, and enforcement of payments of royalties and net profits.

16 \* Sec. 3. AS 43.05.010 is amended by adding a new paragraph to read:

17 (16) audit reports, payments, and payments due relating to  
18 royalty and net profits under oil and gas contracts, agreements, or  
19 leases under AS 38.05.

20 \* Sec. 4. AS 43.05.040(a) is amended to read:

21 (a) The department may examine the books, papers, records, or  
22 memoranda of any person to ascertain the correctness of a return filed  
23 or to determine whether a tax or a payment for oil or gas royalty or  
24 net profits shares under a contract, agreement, or lease under AS  
25 38.05 is due, or in an investigation or inspection in connection with  
26 tax matters or matters relating to oil and gas royalty or net profits  
27 under contracts, agreements, or leases under AS 38.05. The records  
28 and the premises where a business is conducted shall be open at all  
29 reasonable times for official inspection, and the department may

1           summon any person to appear and produce books, records, papers, or  
2           memoranda bearing upon tax matters or matters relating to oil and gas  
3           royalty or net profits under contracts, agreements, or leases under AS  
4           38.05, and to give testimony or answer interrogatories under oath  
5           respecting tax matters or matters related to oil and gas royalty or  
6           net profits under contracts, agreements, or leases under AS 38.05, and  
7           the department may administer oaths to persons who are so summoned.

8 \* Sec. 5. AS 43.05.230(a) is repealed and re-enacted to read:

9           (a) It is unlawful for an officer, employee, or agent of the  
10          state to divulge the amount of income or the particulars set out or  
11          disclosed in a report or return made under this title, except

12                 (1) in connection with official investigations or proceed-  
13          ings of the department, whether judicial or administrative, involving  
14          taxes due under this title;

15                 (2) in connection with official investigations or proceed-  
16          ings of the child support enforcement agency, whether judicial or  
17          administrative, involving child support obligations imposed or impos-  
18          able under AS 25 or AS 47;

19                 (3) as provided in AS 38.05.036 pertaining to audit func-  
20          tions; and

21                 (4) as otherwise provided in this section.

22 \* Sec. 6. This Act takes effect immediately in accordance with AS  
23 01.10.070(c).  
24  
25  
26  
27  
28  
29

Introduced: 2/22/80  
Referred: Resources and  
Finance

1 IN THE HOUSE

BY THE RULES COMMITTEE BY  
REQUEST OF THE GOVERNOR

2 HOUSE BILL NO. 904

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 ELEVENTH LEGISLATURE - SECOND SESSION

5 A BILL

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

10 \* Section 1. AS 38.05.035(a)(9)(D) is amended to read:

11 (D) except as provided in AS 38.05.036, cost data and  
12 financial information submitted in support of applications,  
13 bonds, leases and similar items;

14 \* Sec. 2. AS 38.05 is amended by adding a new section to read:

15 Sec. 38.05.036. AUDIT OF ROYALTY AND NET PROFIT PAYMENTS. (a)  
16 The Department of Revenue shall audit reports, payments, and payments  
17 due relating to royalty and net profits under oil and gas contracts,  
18 agreements, or leases under this chapter.

19 (b) The Department of Revenue may inspect all reports and other  
20 information filed in support of or relating to royalty and net profits  
21 payments, whether or not that information is confidential, and shall  
22 hold that information confidential to the extent required under oil and  
23 gas agreements, contracts, or leases, or by this chapter or AS 43.05.-  
24 230.

25 (c) All information obtained by the Department of Revenue relating  
26 to royalty and net profits payments, including information obtained  
27 under AS 43, may be made available to the department, in the form of  
28 summaries and, when in furtherance of the department's royalty and net  
29 profits functions, relevant portions of the audits. Information made

1 available to the department that was obtained under AS 43 is confiden-  
2 tial and subject to the provisions of AS 43.05.230.

3 (d) The Department of Revenue may conduct audits under this  
4 section concurrently with audits or investigations under AS 43, and may  
5 use information obtained from the department in tax audits, investiga-  
6 tions, or proceedings under AS 43.

7 (e) In this section, "audit" means the process of obtaining suf-  
8 ficient competent evidentiary matter through inspection, observation,  
9 inquiry, and confirmation to afford a reasonable basis for ascertaining  
10 the compliance by the subject of the audit with the applicable law,  
11 regulation, lease, agreement, and contract terms; it does not include  
12 any other actions necessary to administer AS 38.05 pertaining to oil  
13 and gas royalty and net profits payments, including daily accounting  
14 functions, certification procedures associated with those accounting  
15 functions, and enforcement of payments of royalties and net profits.

16 \* Sec. 3. AS 43.05.010 is amended by adding a new paragraph to read:

17 (16) audit reports, payments, and payments due relating to  
18 royalty and net profits under oil and gas contracts, agreements, or  
19 leases under AS 38.05.

20 \* Sec. 4. AS 43.05.040(a) is amended to read:

21 (a) The department may examine the books, papers, records, or  
22 memoranda of any person to ascertain the correctness of a return filed  
23 or to determine whether a tax or a payment for oil or gas royalty or  
24 net profits shares under a contract, agreement, or lease under AS  
25 38.05 is due, or in an investigation or inspection in connection with  
26 tax matters or matters relating to oil and gas royalty or net profits  
27 under contracts, agreements, or leases under AS 38.05. The records  
28 and the premises where a business is conducted shall be open at all  
29 reasonable times for official inspection, and the department may

1           summon any person to appear and produce books, records, papers, or  
2           memoranda bearing upon tax matters or matters relating to oil and gas  
3           royalty or net profits under contracts, agreements, or leases under AS  
4           38.05, and to give testimony or answer interrogatories under oath  
5           respecting tax matters or matters related to oil and gas royalty or  
6           net profits under contracts, agreements, or leases under AS 38.05, and  
7           the department may administer oaths to persons who are so summoned.

8           \* Sec. 5. AS 43.05.230(a) is repealed and re-enacted to read:

9           (a) It is unlawful for an officer, employee, or agent of the  
10          state to divulge the amount of income or the particulars set out or  
11          disclosed in a report or return made under this title, except

12                 (1) in connection with official investigations or proceed-  
13          ings of the department, whether judicial or administrative, involving  
14          taxes due under this title;

15                 (2) in connection with official investigations or proceed-  
16          ings of the child support enforcement agency, whether judicial or  
17          administrative, involving child support obligations imposed or impos-  
18          able under AS 25 or AS 47;

19                 (3) as provided in AS 38.05.036 pertaining to audit func-  
20          tions; and

21                 (4) as otherwise provided in this section.

22           \* Sec. 6. This Act takes effect immediately in accordance with AS  
23           01.10.070(c).

THE LEGISLATURE OF THE STATE OF ALASKA  
ELEVENTH LEGISLATURE

#032

FISCAL NOTE

I. REQUEST HOUSE BILL NO. 904  
 Bill/Resolution No. \_\_\_\_\_  
 Title "Legislation Implementing Royalty Audit Function"  
 Requested by \_\_\_\_\_ Date \_\_\_\_\_

II. FISCAL DETAIL  
 Agency Affected Department of Revenue  
 - Program Category Affected General Government  
 - BRU, Program, or Subprogram(s) Affected Petroleum Revenue  
 (Note: If more than one budget component is affected, separate line-item amounts and funding for each component in the analysis section.)  
EXPENDITURES (Thousands of Dollars)

	FY 80	FY 81	FY 82	FY 83	FY 84	FY 85
100 PERSONAL SERVICES	-0-	80.0	80.0	80.0	80.0	80.0
200 TRAVEL	-0-	18.0	18.0	18.0	18.0	18.0
300 CONTRACTUAL	-0-	4.0	4.0	4.0	4.0	4.0
400 COMMODITIES	-0-	.5	.5	.5	.5	.5
500 EQUIPMENT	-0-	2.0	-0-	-0-	-0-	-0-
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC.						
<b>TOTAL</b>		104.5	102.5	102.5	102.5	102.5

FUNDING (Thousands of Dollars)

GENERAL FUND		104.5	102.5	102.5	102.5	102.5
FEDERAL FUNDS						
OTHER (Specify Fund Source)						

POSITIONS

FULL TIME		2	2	2	2	2
PART TIME						
TEMPORARY						

III. ANALYSIS (See Fiscal Note Preparation Instructions, Section III)  
 The staffing requested is necessary to complete the transfer of this function from the Department of Natural Resources to the Petroleum Revenue Division, and to insure the capability of the Petroleum Revenue Division to audit the applicable records of all taxpayers covered by AS 38.05. The positions listed above are 2 Range 21 auditors. Travel funds are required because records of the taxpayers are primarily located in corporate offices in various locations in the lower 48 states.

IV. DATE 11/4/80  
4/7/80 PREPARED BY Robert H. Johnson  
 AGENCY Department of Revenue  
 PHONE 276-1363  
 Original: Legislative Finance  
 cc: Budget and Management  
 Prime Sponsor (First Legislator Named)

HB 904 The Finance Committee has had HOUSE BILL NO. 904 (relating to the auditing of oil and gas royalty and net profits payments and reports; effective date) under consideration and a majority of the committee recommends it do pass and attaches a letter of intent. Concurring: Freeman (Vice Chairman), Schaeffer, Guy, McKinnon, Smith and Rogers.

HB 904 was referred to the Rules Committee for placement on the calendar.

The letter of intent on HB 904 follows.

#### HOUSE FINANCE COMMITTEE

##### Letter of Intent

##### HB 904

The Finance Committee approves the concept embodied in HB 904 of shifting audit responsibilities for oil and gas royalty and net profit share payments from the Department of Natural Resources to the Department of Revenue, and the sharing of confidential data by the two departments. The Division of Legislative Audit first noted the need for the comprehensive audit of royalty returns in a report entitled A Review of Oil and Gas Revenue Collection - 1973. In a more recent report, A Review of Petroleum Revenues, Department of Revenue, Department of Natural Resources, Alaska Oil and Gas Conservation Commission (January 24, 1979), the Division repeated its recommendation from the 1973 report that the Department of Revenue's Division of Petroleum Revenue should conduct field audits to verify the accuracy of oil and gas royalty returns. HB 904 expands this recommendation to include verification of net profit share payments by the Department of Revenue. Enactment of HB 904 will ensure that the State receives fair value for its royalty and net profit share payments and avoids the duplication of auditing personnel and responsibilities between the two departments.

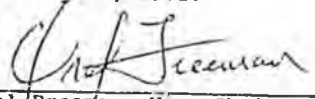
In addition, the Finance Committee intends that the Departments of Revenue and Natural Resources report jointly to the First Session of the Twelfth Alaska Legislature on the following related matters:

- (1) the responsibilities of the new positions in the Petroleum Revenue Division and whether they overlap with the duties of employees in the Department of Natural Resources;

(2) whether the accounting, collection, and enforcement of royalty and net profit share payments also can be shifted from the Department of Natural Resources to the Department of Revenue.

HB  
904

This report is to be made by January 31, 1981.

  
Oral Freeman, Vice Chairman

The Judiciary Committee has had HOUSE BILL NO. 983 (relating to parole of offenders, continuing the Board of Parole; effective date) under consideration and a majority of the committee recommends it be replaced with COMMITTEE SUBSTITUTE FOR HOUSE BILL NO. 983 (same title), that it do pass and attaches a new fiscal note with an additional fiscal note forthcoming. Concurring: Parr (Chairman), Martin, Buchholdt, Malone, Anderson, Phillips, O'Connell, Brown and Barnes.

HB  
983

HB 983 was referred to the Rules Committee for placement on the calendar.

Fiscal note on CSHB 983 appears in House Journal Supplement No. 51.

#### INTRODUCTION, FIRST READING AND REFERENCE

##### OF HOUSE BILLS

HOUSE BILL NO. 1013 by the State Affairs Committee, entitled:

HB  
1013

"An Act making a special appropriation to the Department of Commerce and Economic Development for a loan to the White Pass and Yukon Corporation for upgrade of the White Pass and Yukon route; and providing for an effective date."

was read the first time and referred to the State Affairs and Finance Committees.

HOUSE JOURNAL

HOUSE FINANCE COMMITTEE

Letter of Intent

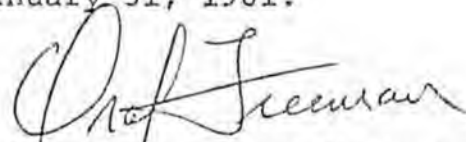
HB 904

The Finance Committee approves the concept embodied in HB 904 of shifting audit responsibilities for oil and gas royalty and net profit share payments from the Department of Natural Resources to the Department of Revenue, and the sharing of confidential data by the two departments. The Division of Legislative Audit first noted the need for the comprehensive audit of royalty returns in a report entitled A Review of Oil and Gas Revenue Collection - 1973. In a more recent report, A Review of Petroleum Revenues, Department of Revenue, Department of Natural Resources, Alaska Oil and Gas Conservation Commission (January 24, 1979), the Division repeated its recommendation from the 1973 report that the Department of Revenue's Division of Petroleum Revenue should conduct field audits to verify the accuracy of oil and gas royalty returns. HB 904 expands this recommendation to include verification of net profit share payments by the Department of Revenue. Enactment of HB 904 will ensure that the State receives fair value for its royalty and net profit share payments and avoids the duplication of auditing personnel and responsibilities between the two departments.

In addition, the Finance Committee intends that the Departments of Revenue and Natural Resources report jointly to the First Session of the Twelfth Alaska Legislature on the following related matters:

- (1) the responsibilities of the new positions in the Petroleum Revenue Division and whether they overlap with the duties of employees in the Department of Natural Resources;
- (2) whether the accounting, collection, and enforcement of royalty and net profit share payments also can be shifted from the Department of Natural Resources to the Department of Revenue.

This report is to be made by January 31, 1981.



---

Oral Freeman, Vice Chairman

me...  
4/11

The Finance Committee approves the concept embodied in HB 904 of shifting audit responsibilities for oil and gas royalty and net profit share payments from the Department of Natural Resources to the Department of Revenue, and the sharing of confidential data by the two departments. The Division of Legislative Audit first noted the need for the comprehensive audit of royalty returns in a report entitled A Review of Oil and Gas Revenue Collection - 1973. In a more recent report, A Review of Petroleum Revenues, Department of Revenue, Department of Natural Resources, Alaska Oil and Gas Conservation Commission (January 24, 1979), the Division repeated its recommendation from the 1973 report that the Department of Revenue's Division of Petroleum Revenue should conduct field audits to verify the accuracy of oil and gas royalty returns. HB 904 expands this recommendation to include verification of net profit share payments by the Department of Revenue. Enactment of HB 904 will ensure that the State receives fair value for its royalty and net profit share payments and avoids the duplication of auditing personnel and responsibilities between the two departments.

~~Based on the testimony and agreement of the departments of Natural Resources and Revenue in the Finance Committee hearing, on April 17, 1980, it is the intent of the Finance Committee that those two departments jointly conduct a study to determine whether other responsibilities such as accounting, collection, and enforcement of royalty and net profit share payments can also be shifted from the Department of Natural Resources to the Department of Revenue to avoid duplication of personnel and responsibilities within the two departments and still maintain protection of the State's proprietary interest in oil and gas leases by the Department of Natural Resources. The departments of Natural Resources and Revenue are to report their joint findings to the First Session of the Twelfth Legislature on or before January 30, 1981.~~

HOUSE JOURNAL

HOUSE FINANCE COMMITTEE

LETTER OF INTENT

HB 904

The Department of Natural Resources and the Department of Revenue shall provide the First Session of the Twelfth Legislature with a report explaining the responsibilities of the new positions within the Petroleum Revenue Division, and whether or not they overlap with duties of employees within the Department of Natural Resources.

  
Oral Freeman, Vice Chairman  
House Finance Committee

In addition, the Finance Committee intends that the Departments of Revenue and Natural Resources report jointly to the First Session of the Twelfth Alaska Legislature on the following related matters:


(1) the responsibilities of the new positions in the Petroleum Revenue Division and whether they overlap with the duties of employees in the Department of Natural Resources;

(2) whether the accounting, collection and enforcement of royalty and net profit share payments also can be shifted from the Department of Natural Resources to the Department of Revenue.

This report is to be made by January 31 1981

## STATE OF ALASKA

## Interdepartmental Route Slip

TO: Mail Station	Department
Attention <i>Rep. Rogers</i>	
<input type="checkbox"/> Approval <input type="checkbox"/> Note & Return <input type="checkbox"/> Signature <input type="checkbox"/> Initial & Return <input type="checkbox"/> Comment <input type="checkbox"/> Return as Requested <input type="checkbox"/> Contact Me <input type="checkbox"/> Return for Approval <input type="checkbox"/> Prepare Reply <input type="checkbox"/> Necessary Action <input type="checkbox"/> For Your File <input type="checkbox"/> For Your Information	
Remarks: <i>Is this letter of intent OK?</i> 	
FROM: Mail Station	Department <i>House Finance</i>
By <i>Becky</i>	Date <i>4/16</i>

HOUSE JOURNAL

HOUSE FINANCE COMMITTEE

LETTER OF INTENT

HB 904

The Department of Natural Resources and the Department of Revenue shall provide the first Session of the Twelfth Legislature with a report explaining the responsibilities of the new positions within the Petroleum Revenue Division, and whether or not they overlap with duties of employees within the Department of Natural Resources.

---

Rep. Russ Meekins, Chairman  
House Finance Committee



STATE OF ALASKA  
OFFICE OF THE GOVERNOR  
JUNEAU

HB 904

February 22, 1980

The Honorable Terry Gardiner  
Speaker of the House  
Alaska State Legislature  
Pouch V  
Juneau, Alaska 99811

Dear Mr. Speaker:

Under authority of art. III, sec. 18, of the Alaska Constitution, I am transmitting a bill relating to the auditing of oil and gas royalty and net profits payments and reports. This bill would assist the Department of Natural Resources in performing its responsibilities under AS 38.05 by authorizing the Department of Revenue to audit royalty and net profits payments under oil and gas leases, contracts, or agreements. Functions other than the audit function are not affected by this bill.

At the present time, the Department of Natural Resources collects royalty payments and is responsible for ascertaining the correctness of those payments. When the leases which provide the state a share of net profits begin producing oil or gas, the Department of Natural Resources would, under present statutes, also collect and be responsible for auditing net profits payments.

The Department of Revenue currently collects and is responsible for auditing, among other taxes, the Oil and Gas Production Tax (AS 43.55) and the Oil and Gas Corporate Income Tax (AS 43.21). The information required for verification of royalty payments is largely the same information which the Department of Revenue uses to ascertain the correctness of production tax returns. Likewise, the same information is required to audit net profits payments as to audit the corporate income tax.

Under present law, two groups of auditors, one in the Department of Natural Resources and one in the Department of Revenue would be required to review the same infor-

mation. The bill I propose would eliminate this duplication by allowing one staff of auditors to perform simultaneous or package audits under AS 38.05 and AS 43.

Confidentiality of information under AS 38.05 and AS 43 is unchanged by this bill except that the Department of Revenue will, in the course of its audit functions, be able to obtain information held confidential by the Department of Natural Resources and the Department of Natural Resources will be provided with information confidential under AS 43 to the extent it is related to royalty or net profits payments. Information that is confidential when held by one department and provided to the other department will remain confidential in the hands of the other department to the same extent as when held by the original department.

It should be noted that the Legislative Audit Division has recommended the concept embodied in this bill; see Recommendation #7 of its report dated January 24, 1979. I believe that this bill will promote efficiency and ease in auditing payments made to the state by oil and gas companies.

Sincerely,

S/JS#

Jay S. Hammond  
Governor

Introduced: 2/22/80  
Referred: Resources and  
Finance

1 IN THE HOUSE

BY THE RULES COMMITTEE BY  
REQUEST OF THE GOVERNOR

2 HOUSE BILL NO. 904

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 ELEVENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to the auditing of oil and gas  
7 royalty and net profits payments and reports; and  
8 providing for an effective date."

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

10 \* Section 1. AS 38.05.035(a)(9)(D) is amended to read:

11 (D) except as provided in AS 38.05.036, cost data and  
12 financial information submitted in support of applications,  
13 bonds, leases and similar items;

14 \* Sec. 2. AS 38.05 is amended by adding a new section to read:

15 Sec. 38.05.036. AUDIT OF ROYALTY AND NET PROFIT PAYMENTS. (a)  
16 The Department of Revenue shall audit reports, payments, and payments  
17 due relating to royalty and net profits under oil and gas contracts,  
18 agreements, or leases under this chapter.

19 (b) The Department of Revenue may inspect all reports and other  
20 information filed in support of or relating to royalty and net profits  
21 payments, whether or not that information is confidential, and shall  
22 hold that information confidential to the extent required under oil and  
23 gas agreements, contracts, or leases, or by this chapter or AS 43.05.-  
24 230.

25 (c) All information obtained by the Department of Revenue relating  
26 to royalty and net profits payments, including information obtained  
27 under AS 43, may be made available to the department, in the form of  
28 summaries and, when in furtherance of the department's royalty and net  
29 profits functions, relevant portions of the audits. Information made

1 available to the department that was obtained under AS 43 is confiden-  
2 tial and subject to the provisions of AS 43.05.230.

3 (d) The Department of Revenue may conduct audits under this  
4 section concurrently with audits or investigations under AS 43, and may  
5 use information obtained from the department in tax audits, investiga-  
6 tions, or proceedings under AS 43.

7 (e) In this section, "audit" means the process of obtaining suf-  
8 ficient competent evidentiary matter through inspection, observation,  
9 inquiry, and confirmation to afford a reasonable basis for ascertaining  
10 the compliance by the subject of the audit with the applicable law,  
11 regulation, lease, agreement, and contract terms; it does not include  
12 any other actions necessary to administer AS 38.05 pertaining to oil  
13 and gas royalty and net profits payments, including daily accounting  
14 functions, certification procedures associated with those accounting  
15 functions, and enforcement of payments of royalties and net profits.

16 \* Sec. 3. AS 43.05.010 is amended by adding a new paragraph to read:

17 (16) audit reports, payments, and payments due relating to  
18 royalty and net profits under oil and gas contracts, agreements, or  
19 leases under AS 38.05.

20 \* Sec. 4. AS 43.05.040(a) is amended to read:

21 (a) The department may examine the books, papers, records, or  
22 memoranda of any person to ascertain the correctness of a return filed  
23 or to determine whether a tax or a payment for oil or gas royalty or  
24 net profits shares under a contract, agreement, or lease under AS  
25 38.05 is due, or in an investigation or inspection in connection with  
26 tax matters or matters relating to oil and gas royalty or net profits  
27 under contracts, agreements, or leases under AS 38.05. The records  
28 and the premises where a business is conducted shall be open at all  
29 reasonable times for official inspection, and the department may

1       summon any person to appear and produce books, records, papers, or  
2       memoranda bearing upon tax matters or matters relating to oil and gas  
3       royalty or net profits under contracts, agreements, or leases under AS  
4       38.05, and to give testimony or answer interrogatories under oath  
5       respecting tax matters or matters related to oil and gas royalty or  
6       net profits under contracts, agreements, or leases under AS 38.05, and  
7       the department may administer oaths to persons who are so summoned.

8       \* Sec. 5. AS 43.05.230(a) is repealed and re-enacted to read:

9               (a) It is unlawful for an officer, employee, or agent of the  
10              state to divulge the amount of income or the particulars set out or  
11              disclosed in a report or return made under this title, except

12                      (1) in connection with official investigations or proceed-  
13                      ings of the department, whether judicial or administrative, involving  
14                      taxes due under this title;

15                      (2) in connection with official investigations or proceed-  
16                      ings of the child support enforcement agency, whether judicial or  
17                      administrative, involving child support obligations imposed or impos-  
18                      able under AS 25 or AS 47;

19                      (3) as provided in AS 38.05.036 pertaining to audit func-  
20                      tions; and

21                      (4) as otherwise provided in this section.

22       \* Sec. 6. This Act takes effect immediately in accordance with AS  
23       01.10.070(c).

FISCAL NOTE

I. REQUEST  
 Bill/Resolution No. HOUSE BILL NO. 904  
 Title "Legislation Implementing Royalty Audit Function"  
 Requested by \_\_\_\_\_ Date \_\_\_\_\_

II. FISCAL DETAIL  
 Agency Affected Department of Revenue  
 Program Category Affected General Government  
 BRU, Program, or Subprogram(s) Affected Petroleum Revenue  
 (Note: If more than one budget component is affected, separate line-item amounts and funding for each component in the analysis section.)  
EXPENDITURES (Thousands of Dollars)

	FY 80	FY 81	FY 82	FY 83	FY 84	FY 85
100 PERSONAL SERVICES	-0-	80.0	80.0	80.0	80.0	80.0
200 TRAVEL	-0-	18.0	18.0	18.0	18.0	18.0
300 CONTRACTUAL	-0-	4.0	4.0	4.0	4.0	4.0
400 COMMODITIES	-0-	.5	.5	.5	.5	.5
500 EQUIPMENT	-0-	2.0	-0-	-0-	-0-	-0-
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC.						
TOTAL		104.5	102.5	102.5	102.5	102.5

FUNDING (Thousands of Dollars)

GENERAL FUND		104.5	102.5	102.5	102.5	102.5
FEDERAL FUNDS						
OTHER (Specify Fund Source)						

POSITIONS

FULL TIME		2	2	2	2	2
PART TIME						
TEMPORARY						

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

The staffing requested is necessary to complete the transfer of this function from the Department of Natural Resources to the Petroleum Revenue Division, and to insure the capability of the Petroleum Revenue Division to audit the applicable records of all taxpayers covered by AS 38.05. The positions listed above are 2 Range 21 auditors. Travel funds are required because records of the taxpayers are primarily located in corporate offices in various locations in the lower 48 states.

IV. DATE 4/17/80 PREPARED BY Robert M. Johnson  
 AGENCY Department of Revenue  
 PHONE 276-1363  
 Original: Legislative Finance  
 cc: Budget and Management  
 Prime Sponsor (First Legislator Named)

**CATEGORY:** GENERAL GOVERNMENT  
**PROGRAM:** REVENUE COLLECTION AND MANAGEMENT

**AGENCY:** REVENUE  
**BRU (S):** AUDIT; PETROLEUM REVENUE; ENFORCEMENT; TREASURY MANAGEMENT; ADMINISTRATION AND SUPPORT

All Department of Revenue BRU's in the Revenue Collection and Management cover program are included herein. A major emphasis on identifying the "invisible taxpayer" is planned in the FY 81 budget, primarily in the BRUs of Audit, Enforcement, and Administration and Support.

The goals of the Audit BRU are to achieve effective compliance by taxpayers with the tax laws of Alaska, and to raise revenues through an effective audit program. The Revenue Audit staff concentrates on corporate and individual income tax, estate taxes, excise taxes, business license tax, fisheries tax, mining license tax, and the issuance of permits for games or skill or chance.

The goals of the Petroleum Revenue BRU are to administer state taxes on oil and gas production, which includes the State oil and gas property tax, oil and gas production tax and the oil and gas corporate income tax, and also to coordinate with local governments also taxing that property. The Division of Petroleum Revenue also generates revenue estimates for the State of projected oil and gas related revenues.

The goal of the Enforcement BRU is to enforce the collection of taxes from all taxpayers in a fair and equitable manner. The Division is responsible for billing and collecting all delinquent tax accounts.

The goals of the Treasury Management BRU are to manage available funds for a maximum return consistent with statutory limitations; to place general bonded debt as needed for capital projects at minimum cost to the State; and to report the management of funds in accordance with current reporting standards. The Treasury Management Division works closely with the State Bond Committee in performing these functions. Fund management is centralized for the Public Employees Retirement Fund, the Teachers Retirement Fund, and the General Fund, as well as other special funds.

The Administration and Support BRU includes the Office of the Commissioner, Administrative Services, and Fish and Game Licensing. The Commissioner's Office oversees all functions of the Department of Revenue. The Research Section, under the Office of the Commissioner, performs special studies in analyzing and developing revenue sources, as well as projecting State cash flow through revenue estimating models and information provided by State agencies. The Administrative Services component provides centralized general services for the Department of Revenue, including personnel, budget, payroll, purchasing, mail, etc. This section also provides certain technical services such as administering business licenses, processing tax and license reapplications, and initial processing of tax returns. The Fish and Game Licensing component is being transferred to this BRU from the Natural Resources category for FY 81. This component processes revenues received from the sales of Fish and Game licenses statewide. Most of the licenses are sold by contract vendors such as sporting goods stores.

COMPONENT DESCRIPTION	79 AUTH	79 FINAL	79 ACT	80 AUTH	80 SUPL	80 RP	GOVERNOR
AUDIT	2461.5	2530.6	2513.1	2691.6			3223.6
PETROLEUM REVENUE	1279.6	1240.1	1187.3	1435.0			1447.2
ENFORCEMENT	1195.5	1335.4	1324.7	1217.0			1366.3
TREASURY MANAGEMENT	1232.3	1227.9	1120.3	1357.1			1436.9
OFFICE OF THE COMMISSIONER	877.3	1077.4	1054.4	757.6			964.5
ADMINISTRATIVE SERVICES	1630.0	1783.7	1746.5	1773.6			2361.4
FISH AND GAME LICENSING	572.1	580.6	531.6	259.0			298.0
** TOTAL	9249.3	9775.7	9477.9	9490.9			11097.9
** CHANGE VERSUS 80 AUTH							16.9%
OBJECT DESCRIPTION							
PERS. SERV.	6294.0	6685.5	6654.2	6784.4			7519.5
TRAVEL	336.8	333.8	316.3	315.7			419.6
CONTRACTUAL	2218.2	2320.1	2075.1	2031.5			2728.1
COMMODITIES	68.5	69.3	59.0	58.2			80.9
EQUIPMENT	23.5	58.7	65.3				37.0
LANDS/BLDGS	308.3	308.3	308.0	301.1			312.8
FUNDING SOURCE							
GENERAL FUND	8446.3	9040.7	8835.4	8956.9			10520.7
PGM RECEIPTS	308.0	240.0	217.5				
OTHER FUNDS	495.0	495.0	425.0	534.0			577.2
** GENERAL FUND CHANGE VS, 80 AUTH							17.4%
POSITIONS							
FULL-TIME	220.0	220.0	220.0	224.0			237.0
PART-TIME	8.0	8.0	8.0	8.0			21.0
TEMPORARY	14.0	14.0	14.0	13.0			
STAFF MONTHS	2715.1	2715.1	2715.1	2784.0			2944.2

Introduced: 2/22/80  
Referred: Resources and  
Finance

1 IN THE HOUSE

BY THE RULES COMMITTEE BY  
REQUEST OF THE GOVERNOR

2 HOUSE BILL NO. 904

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 ELEVENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to the auditing of oil and gas  
7 royalty and net profits payments and reports; and  
8 providing for an effective date."

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

10 \* Section 1. AS 38.05.035(a)(9)(D) is amended to read:

11 (D) except as provided in AS 38.05.036, cost data and  
12 financial information submitted in support of applications,  
13 bonds, leases and similar items;

14 \* Sec. 2. AS 38.05 is amended by adding a new section to read:

15 Sec. 38.05.036. AUDIT OF ROYALTY AND NET PROFIT PAYMENTS. (a)  
16 The Department of Revenue shall audit reports, payments, and payments  
17 due relating to royalty and net profits under oil and gas contracts,  
18 agreements, or leases under this chapter.

19 (b) The Department of Revenue may inspect all reports and other  
20 information filed in support of or relating to royalty and net profits  
21 payments, whether or not that information is confidential, and shall  
22 hold that information confidential to the extent required under oil and  
23 gas agreements, contracts, or leases, or by this chapter or AS 43.05.-  
24 230.

25 (c) All information obtained by the Department of Revenue relating  
26 to royalty and net profits payments, including information obtained  
27 under AS 43, may be made available to the department, in the form of  
28 summaries and, when in furtherance of the department's royalty and net  
29 profits functions, relevant portions of the audits. Information made

1 available to the department that was obtained under AS 43 is confiden-  
2 tial and subject to the provisions of AS 43.05.230.

3 (d) The Department of Revenue may conduct audits under this  
4 section concurrently with audits or investigations under AS 43, and may  
5 use information obtained from the department in tax audits, investiga-  
6 tions, or proceedings under AS 43.

7 (e) In this section, "audit" means the process of obtaining suf-  
8 ficient competent evidentiary matter through inspection, observation,  
9 inquiry, and confirmation to afford a reasonable basis for ascertaining  
10 the compliance by the subject of the audit with the applicable law,  
11 regulation, lease, agreement, and contract terms; it does not include  
12 any other actions necessary to administer AS 38.05 pertaining to oil  
13 and gas royalty and net profits payments, including daily accounting  
14 functions, certification procedures associated with those accounting  
15 functions, and enforcement of payments of royalties and net profits.

16 \* Sec. 3. AS 43.05.010 is amended by adding a new paragraph to read:

17 (16) audit reports, payments, and payments due relating to  
18 royalty and net profits under oil and gas contracts, agreements, or  
19 leases under AS 38.05.

20 \* Sec. 4. AS 43.05.040(a) is amended to read:

21 (a) The department may examine the books, papers, records, or  
22 memoranda of any person to ascertain the correctness of a return filed  
23 or to determine whether a tax or a payment for oil or gas royalty or  
24 net profits shares under a contract, agreement, or lease under AS  
25 38.05 is due, or in an investigation or inspection in connection with  
26 tax matters or matters relating to oil and gas royalty or net profits  
27 under contracts, agreements, or leases under AS 38.05. The records  
28 and the premises where a business is conducted shall be open at all  
29 reasonable times for official inspection, and the department may

1           summon any person to appear and produce books, records, papers, or  
2           memoranda bearing upon tax matters or matters relating to oil and gas  
3           royalty or net profits under contracts, agreements, or leases under AS  
4           38.05, and to give testimony or answer interrogatories under oath  
5           respecting tax matters or matters related to oil and gas royalty or  
6           net profits under contracts, agreements, or leases under AS 38.05, and  
7           the department may administer oaths to persons who are so summoned.

8           \* Sec. 5. AS 43.05.230(a) is repealed and re-enacted to read:

9           (a) It is unlawful for an officer, employee, or agent of the  
10          state to divulge the amount of income or the particulars set out or  
11          disclosed in a report or return made under this title, except

12                 (1) in connection with official investigations or proceed-  
13          ings of the department, whether judicial or administrative, involving  
14          taxes due under this title;

15                 (2) in connection with official investigations or proceed-  
16          ings of the child support enforcement agency, whether judicial or  
17          administrative, involving child support obligations imposed or impos-  
18          able under AS 25 or AS 47;

19                 (3) as provided in AS 38.05.036 pertaining to audit func-  
20          tions; and

21                 (4) as otherwise provided in this section.

22           \* Sec. 6. This Act takes effect immediately in accordance with AS  
23           01.10.070(c).

THE LEGISLATURE OF THE STATE OF ALASKA  
ELEVENTH LEGISLATURE

#032

FISCAL NOTE

I. REQUEST

Bill/Resolution No. HB 904  
Title "Legislation implementing Royalty Audit Function"  
Requested by \_\_\_\_\_ Date \_\_\_\_\_

II. FISCAL DETAIL

Agency Affected Department of Revenue  
Program Category Affected General Government  
BRU, Program, or Subprogram(s) Affected Petroleum Revenue  
(Note: If more than one budget component is affected, separate line-item amounts and funding for each component in the analysis section.)

EXPENDITURES (Thousands of Dollars)

	FY 80	FY 81	FY 82	FY 83	FY 84	FY 85
100 PERSONAL SERVICES	-0-	80.0	80.0	80.0	80.0	80.0
200 TRAVEL	-0-	18.0	18.0	18.0	18.0	18.0
300 CONTRACTUAL	-0-	4.0	4.0	4.0	1.0	4.0
400 COMMODITIES	-0-	.5	.5	.5	.5	.5
500 EQUIPMENT	-0-	2.0	-0-	-0-	-0-	-0-
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC.						
TOTAL		104.5	102.5	102.5	102.5	102.5

FUNDING (Thousands of Dollars)

	FY 80	FY 81	FY 82	FY 83	FY 84	FY 85
GENERAL FUND		104.5	102.5	102.5	102.5	102.5
FEDERAL FUNDS						
OTHER (Specify Fund Source)						

POSITIONS

	FY 80	FY 81	FY 82	FY 83	FY 84	FY 85
FULL TIME		2	2	2	2	2
PART TIME						
TEMPORARY						

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

The staffing requested is necessary to complete the transfer of this function from the Department of Natural Resources to the Petroleum Revenue Division, and to insure the capability of the Petroleum Revenue Division to audit the applicable records of all taxpayers covered by AS 38.05. The positions listed above are 2 Range 21 auditors. Travel funds are required because records of the taxpayers are primarily located in corporate offices in various locations in the lower 48 states.

IV. DATE 11/14/80  
4/7/80 PREPARED BY Robert M. Johnson  
AGENCY Department of Revenue  
PHONE 276-1363  
Original: Legislative Finance  
cc: Budget and Management  
Prime Sponsor (First Legislator Named)