

LEG. FINANCE - BILLS 1979 - 1980 1334
SB 313 cont., thru SB 315 1334

THE LEGISLATURE OF THE STATE OF ALASKA
ELEVENTH LEGISLATURE

FISCAL NOTE

I. REQUEST

Bill/Resolution No. Senate Bill 313 am
 Title Exempting Property of Air and Motor Freight Carriers Regulated by Alaska
 Requested by Transportation Commission Date _____
From the Oil & Gas Property Tax

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

FUNDING (Thousands of Dollars)

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

POSITIONS

FULL TIME	-0-	-0-	-0-	-0-	-0-	-0-
PART TIME	-0-	-0-	-0-	-0-	-0-	-0-
TEMPORARY	-0-	-0-	-0-	-0-	-0-	-0-

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

SB 313, as amended, will reduce the types of taxable property subject to AS 43.56. The fiscal impact would be a certain reduction in state revenues derived from the property tax and a probable reduction in revenue derived from property taxes by municipalities. The reduction in receipts would arise because property with an assessed value of between \$9,076,000 and at least \$16,076,000 would be exempted. Three factors produce the wide range in estimated values. First, it is unclear whether all vehicular property of an affected taxpayer is intended to be exempted by the bill or whether only that property which is in fact ATC-regulated (trucks and airplanes) is intended to be exempted. Second, it is unknown how much "leased" property would fall into the exemption, and whether or not the owner of that leased property would in turn be taxed. Third, a
 (continued on page 2)

IV. DATE 1/18/80 PREPARED BY Robert M. Johnson
 AGENCY Department of Revenue
 PHONE 276-1363
 Original: Legislative Finance
 cc: Budget and Management
Prime Sponsor (First Legislator Named)

lawsuit is pending on the question of including certain property in the category to be exempted by this bill. The actual tax from the assessed property would therefore range from \$181,520 to \$321,520 (2 percent of assessed value). The state would lose net taxes of between \$100,000 and \$190,000. The remainder would ordinarily pass to a municipality but it is very uncertain that the municipalities would in fact be able to assess and tax movable property of the type primarily addressed by this bill. Consequently, the municipalities too would lose tax revenue.

There would be no fiscal impact on the operation of the Department of Revenue.

Wien AIR ALASKA, INC.



February 27, 1980

Mr. Rick Urion
P. O. Box 868
Juneau, Alaska 99802

Dear Mr. Urion:

Thank you for your phone call of February 19 regarding S.B. 313 am (property tax amendment).

After considering the matter further I suggest the following two points:

1. The language we discussed should be "regulated by the Alaska Transportation Commission or subject to Public Law 95-504, the Airline Deregulation Act of 1978."

2. I continue to believe that "vehicular" should be replaced with the word "transportation."

I am enclosing a copy of my January 29 memo for your easy reference.

Very truly yours,

WIEN AIR ALASKA, INC.

Ralph Stemp
Attorney

Enclosure

cc: J. Flood
D. Maloney
M. McKinnon

Introduced: 1/14/80
Referred: Finance

1 IN THE SENATE

BY SACKETT

2 SENATE BILL NO. 313 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 exempting property of air and motor freight
7 carriers regulated by the Alaska Transportation
8 Commission from the oil and gas exploration, production
9 and pipeline transportation property tax; and providing
10 for an effective date."

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

12 * Section 1. AS 43.56.210(6) is amended to read:

13 (6) "taxable property"

14 (A) means real and tangible personal property used or
15 committed by contract or other agreement for use within this state
16 primarily in the exploration for, production of, or pipeline trans-
17 portation of gas or unrefined oil (except for property used solely
18 for the retail distribution or liquefaction of natural gas), or in
19 the operation or maintenance of facilities used in the exploration
20 for, production of, or pipeline transportation of gas or unrefined
21 oil, including machinery, appliances, supplies, equipment, drilling
22 rigs, wells (whether producing or not), gathering lines and trans-
23 mission lines, pumping stations, compressor stations, power plants,
24 topping plants, processing units, roads, tank farms, tanker
25 terminals, docks and other port facilities, air strips and communi-
26 cation equipment and facilities, maintenance equipment and facili-
27 ties, and maintenance camps and other related facilities;

28 (B) ["TAXABLE PROPERTY"] does not include permanent
29 residences, office buildings requiring substantial local government

1 services, [OR] oil and gas pipeline systems owned and operated by a
2 certificated public utility regulated by the Alaska Public Utili-
3 ties Commission, or vehicular property owned or leased by air
4 carriers and motor freight carriers regulated by the Alaska Trans-
5 portation Commission;

6 * Sec. 2. This Act takes effect January 1, 1981.
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~~Because of the significance of~~ ^{are so significant} oil and gas related activities to the Alaskan economy, ^{that} it is inevitable that general purpose transportation equipment (trucks, barges, aircraft, etc.) operated by independent carriers will be frequently engaged in the movement of goods and materials used in the oil and gas activities specified in AS 43.56.

It is impossible to predict in advance the percentage of actual usage of any given piece of equipment in the specified activities. Consequently, it is impossible for the carrier to project the amount of tax that would be due so that it can be equitably passed on to the appropriate customer by adjustment of rates and tariffs. Imposition of this tax results in what amounts to a penalty on the carrier whose equipment is subsequently determined (by the percentage of its total usage) to have been engaged primarily in specified oil and gas related activities.

The carrier can only avoid this penalizing effect by increasing rates to all classes of customers since a property tax cannot be added to invoices for specific movements of freight. Aside from being awkward and difficult to achieve, this would have the effect of penalizing the general user of transportation services and giving the ultimate consumers of oil and gas unintended relief from the tax.

Taxes levied on oil and gas related properties should be ultimately paid by the consumers of oil and gas products. The producers of these products are the only parties that can effectively allocate these taxes to the consumers. It follows, therefore, that the assessment of this particular tax on property used in general transportation services in such a way that it cannot be ~~effectively~~ passed directly on to the oil and gas producers penalizes not only the carrier but the ordinary users of transportation services. This certainly does not appear consistent with the legislative intent behind AS 43.56, and consequently the section should be clarified by specifically exempting these operations.

A M E N D M E N T

OFFERED IN THE SENATE:

BY: Sackett

To: _____ SENATE BILL No. 313

HOUSE BILL No. _____

PAGE: 2

LINE: 3

Insert "vehicular" between "or" and "property"

PAGE: 2 LINE: 3

Insert "or leased" between "owned" and "by"

Introduced: 1/14/80
Referred: Finance

1 IN THE SENATE

BY SACKETT

2 SENATE BILL NO. 313

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 ELEVENTH LEGISLATURE - SECOND SESSION

5 A BILL

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18 for the retail distribution or liquefaction of natural gas), or in
19 the operation or maintenance of facilities used in the exploration
20 for, production of, or pipeline transportation of gas or unrefined
21 oil, including machinery, appliances, supplies, equipment, drilling
22 rigs, wells (whether producing or not), gathering lines and trans-
23 mission lines, pumping stations, compressor stations, power plants,
24 topping plants, processing units, roads, tank farms, tanker
25 terminals, docks and other port facilities, air strips and communi-
26 cation equipment and facilities, maintenance equipment and facili-
27 ties, and maintenance camps and other related facilities;

28 (B) ["TAXABLE PROPERTY"] does not include permanent
29 residences, office buildings requiring substantial local government

1 services, [OR] oil and gas pipeline systems owned and operated by a
2 certificated public utility regulated by the Alaska Public Utili-
3 ties Commission, or property owned by air carriers and motor
4 freight carriers regulated by the Alaska Transportation Commission;

5 * Sec. 2. This Act takes effect January 1, 1981.
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RECORDS



CERTIFICATION

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

James O. Smith
Signature of Camera Operator

3/23/90
Date

COMMITTEE REPORT

(11)

HOUSE

3/3/80

FURTHER:

Date: Mar. 27, 1980

Mr. Speaker:

The Committee on FINANCE has had SB 313 am

"An Act exempting property of air and motor freight carriers regulated by the Alaska Transportation Commission from the oil and gas exploration, production and pipeline transportation property tax; and providing for an effective date."

under consideration and (a majority of the committee) (the committee) reports it back with the following recommendations:

- do pass do not pass
- do pass with attached amendment(s)
- replace with ^{House} CS for SB 313 same title
 new title
- and recommends that it do pass
- AND attaches a "Letter of Intent" New Fiscal Note
- reports it back without recommendation
- referred to the _____ Committee

**MEMBERS SIGNING
DO PASS**

[Signature]
[Signature]
[Signature]
[Signature]
[Signature]
[Signature]
[Signature]
[Signature]
[Signature]

**MEMBERS HAVING
OTHER RECOMMENDATIONS:**

[Signature]

[Signature]
CHAIRMAN

WO#7649
Chenoweth

Original sponsor: Sackett

1 IN THE SENATE BY THE FINANCE COMMITTEE
 2 HOUSE CS FOR SENATE BILL NO. 313
 3 IN THE LEGISLATURE OF THE STATE OF ALASKA
 4 ELEVENTH LEGISLATURE - SECOND SESSION
 5 A BILL

6 For an Act entitled: "An Act exempting certain aircraft and motor vehicles
 7 from the oil and gas exploration, production and pipe-
 8 line transportation property tax, and providing for the
 9 return of taxes collected on aircraft and motor vehicles
 10 exempted by this Act; and providing for an effective
 11 date."

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

13 * Section 1. AS 43.56.210(6) is amended to read:

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 16 committed by contract or other agreement for use within this state
 17 primarily in the exploration for, production of, or pipeline trans-
 18 portation of gas or unrefined oil (except for property used solely
 19 for the retail distribution or liquefaction of natural gas), or in
 20 the operation or maintenance of facilities used in the exploration
 21 for, production of, or pipeline transportation of gas or unrefined
 22 oil; "taxable property" includes [, INCLUDING]

23 (i) machinery, appliances, supplies, and equipment;
 24 [,]

25 (ii) drilling rigs, wells (whether producing or
 26 not), gathering lines and transmission lines, pumping stations,
 27 compressor stations, power plants, topping plants, and pro-
 28 cessing units; [,]

29 (iii) roads, tank farms, tanker terminals, docks and

1 other port facilities, air strips and communication equipment
2 and facilities; [,]

3 (iv) aircraft and motor vehicles owned by a person
4 whose principal business in the state is the exploration for,
5 production of, or pipeline transportation of gas or unrefined
6 oil and whose operation of the aircraft or motor vehicle
7 directly relates to the conduct of that business; and

8 (v) maintenance equipment and facilities, and
9 maintenance camps and other related facilities;

10 (B) ["TAXABLE PROPERTY"] does not include

11 (i) permanent residences; [,]

12 (ii) office buildings requiring substantial local
13 government services; [, OR]

14 (iii) oil and gas pipeline systems owned and operated
15 by a certificated public utility regulated by the Alaska
16 Public Utilities Commission; and

17 (iv) aircraft and motor vehicles, except aircraft
18 and motor vehicles taxable under (A)(iv) of this paragraph;

19 * Sec. 2. (a) The commissioner of revenue shall provide the commissioner
20 of administration the names of taxpayers who paid to the state after
21 December 31, 1973, a tax levied on aircraft or motor vehicles which are
22 exempt from taxation under AS 43.56.210(6), as amended by sec. 1 of this Act,
23 and the amount of the taxes paid on the aircraft or motor vehicle.

24 (b) The commissioner of administration shall promptly pay each taxpayer
25 the amount determined by the commissioner of revenue under (a) of this sec-
26 tion.

27 * Sec. 3. Section 1 of this Act is retroactive to January 1, 1974.

28 * Sec. 4. This Act takes effect immediately in accordance with AS 01.10.-
29 070(c).

FISCAL NOTE

I. REQUEST

Bill/Resolution No. HCSSB 313

Title Exempting Certain Vehicular Property from AS 43.56

Requested by _____ Date _____

II. FISCAL DETAIL

Agency Affected 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-	-0-	-0-	-0-	-0-	-0-
200 TRAVEL	-0-	-0-	-0-	-0-	-0-	-0-
300 CONTRACTUAL	-0-	-0-	-0-	-0-	-0-	-0-
400 COMMODITIES	-0-	-0-	-0-	-0-	-0-	-0-
500 EQUIPMENT	-0-	-0-	-0-	-0-	-0-	-0-
600 LAND & STRUCTURES	-0-	-0-	-0-	-0-	-0-	-0-
700 GRANTS, CLAIMS, ETC.	1.054	-0-	-0-	-0-	-0-	-0-

TOTAL

FUNDING (Thousands of Dollars)

	FY.80	FY 81	FY 82	FY 83	FY 84	FY 85
GENERAL FUND						
FEDERAL FUNDS						
OTHER (Specify Fund Source)						
	[479]	[330]	[360]	[390]	[420]	[450]

POSITIONS

	FY.80	FY 81	FY 82	FY 83	FY 84	FY 85
FULL TIME	-0-	-0-	-0-	-0-	-0-	-0-
PART TIME	-0-	-0-	-0-	-0-	-0-	-0-
TEMPORARY	-0-	-0-	-0-	-0-	-0-	-0-

III. ANALYSIS (See Fiscal Note Preparation Instructions, Section III) The prospective effect of this bill would be a reduction in AS 43.56 tax receipts to the State from \$330,000 in 1981 to \$450,000 in 1985 (trended from the 1980 assessment roll) assuming that the State nets about 60% of the 20 mill tax levied on the covered property. The remainder (40%) would ordinarily pass to a municipality but it is very uncertain that the municipalities would in fact be able to assess and tax movable property of the type primarily addressed by this bill. Consequently the municipalities might also lose tax revenue.

In addition, the State would have to refund at least \$1,054,043 in gross taxes for the amounts assessed for years 1974 through 1979. Assuming the bill is enacted and implemented prior to June 1980 collection of tax, an additional \$478,768 in 1980 state revenues (including prior year adjustment) will be foregone. See Table A Revised. The refund to taxpayers would include approximately \$400,000 credited by the State to taxpayers for taxes paid to municipalities.

IV. DATE 3/27/80

PREPARED BY Robert M. Johnson

AGENCY Petroleum Revenue

PHONE 276-1363

Original: Legislative Finance

cc: Budget and Management

Prime Sponsor (First Legislator Named)

TABLE A REVISED
(ASSUMES ENACTMENT BEFORE PAYMENT OF 1980 TAXES)

	1979	1978	1977	1976	1975	1974
Number of Taxpayers	10	9	9	9	2	
Total Actual Rebate	293,986	278,100	274,330	160,095	42,514	5,018
Estimated Audit Assessment Pertaining to Tax Period	140,000 (E)	140,000 (E)	Ø	Ø	Ø	Ø
Total Cost	433,986	418,100	274,330	160,095	42,514	5,018

<u>ESTIMATED ADJUSTMENTS</u>	1978	140,000
	1979	140,000
	1980	<u>140,000</u>
		420,000
STATE SHARE OF AUDIT ADJUSTMENTS (60%)		<u>.6</u>
		252,000

TOTAL ACTUAL REBATE	1,054,043
STATE SHARE OF ESTIMATED ADJUSTMENTS	252,000
STATE SHARE OF 1980 PROBABLE COLLECTIONS	<u>226,768</u>
TOTAL COST TO THE STATE	\$1,532,811

REVENUE FOREGONE 1980

Number of Probable Taxpayers	9
Amount of Probable Collections	377,279
State Share (60%)	<u>.6</u>
	\$226,768

WO#7649
Chenoweth

Original sponsor: Sackett

1 IN THE SENATE BY THE FINANCE COMMITTEE

2 HOUSE CS FOR SENATE BILL NO. 313

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 ELEVENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act exempting certain aircraft and motor vehicles
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8 line transportation property tax, and providing for the
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11 date."

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24 [,]

25 (ii) drilling rigs, wells (whether producing or
26 not), gathering lines and transmission lines, pumping stations,
27 compressor stations, power plants, topping plants, and pro-
28 cessing units; [,]

29 (iii) roads, tank farms, tanker terminals, docks and

1 other port facilities, air strips and communication equipment
2 and facilities; [,]

3 (iv) aircraft and motor vehicles owned by a person
4 whose principal business in the state is the exploration for,
5 production of, or pipeline transportation of gas or unrefined
6 oil and whose operation of the aircraft or motor vehicle
7 directly relates to the conduct of that business; and

8 (v) maintenance equipment and facilities, and
9 maintenance camps and other related facilities;

10 (B) ["TAXABLE PROPERTY"] does not include

11 (i) permanent residences; [,]

12 (ii) office buildings requiring substantial local
13 government services; [, OR]

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15 by a certificated public utility regulated by the Alaska
16 Public Utilities Commission; and

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22 exempt from taxation under AS 43.56.210(6), as amended by sec. 1 of this Act,
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26 tion.

27 * Sec. 3. Section 1 of this Act is retroactive to January 1, 1974.

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ELEVENTH LEGISLATURE

FISCAL NOTE

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AGENCY Petroleum Revenue
PHONE 276-1363
Original: Legislative Finance
cc: Budget and Management
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TOTAL	-0-	-0-	-0-	-0-	-0-	-0-

FUNDING (Thousands of Dollars)

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

POSITIONS

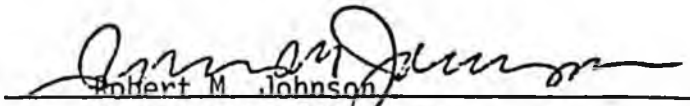
FULL TIME	-0-	-0-	-0-	-0-	-0-	-0-
PART TIME	-0-	-0-	-0-	-0-	-0-	-0-
TEMPORARY	-0-	-0-	-0-	-0-	-0-	-0-

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

There would be no impact on the budget or operation of the Department.

IV. DATE 3/21/80

PREPARED BY


Robert M. Johnson

AGENCY

Department of Revenue

Original: Legislative Finance

PHONE

276-1363

cc: Budget and Management

Prime Sponsor (First Legislator Named)

STATE OF ALASKA
THE LEGISLATURE

POUCH Y - STATE CAPITOL
JUNEAU, ALASKA 99811
907-465-3800

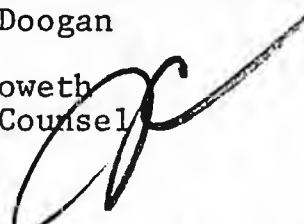
LEGISLATIVE AFFAIRS AGENCY

MEMORANDUM

March 22, 1980

SUBJECT: House Committee Substitute for Senate Bill 313,
relating to exemption from taxation under
AS 43.56 of certain aircraft and motor vehicles.

TO: Representative Russ Meekins, Jr.
Chairman, House Finance Committee
ATTN: Mike Doogan

FROM: John B. Chenoweth
Legislative Counsel 

Following our conversation, Mike, I have tried to recast the amendment not with reference to the 1978 Airline Deregulation Act but with reference to the locus of ownership and operation of the aircraft and motor vehicles in question. This version would tax only aircraft and motor vehicles which are owned and used by a company whose principal business purpose in Alaska ties to exploration, production or pipeline transportation of oil and gas. All other aircraft and motor vehicles are exempt. Incidentally, I used the term "motor vehicles" rather than "vehicular property" for I thought that this better described what the Senate's amendment intended to cover. If there is a distinction between the two that is lost because of the switch in terms, please advise.

Respectful of the fact that the choice of reference to the 1978 federal airline deregulation act was yours, I would only suggest that, should the committee insist on keeping the reference to that Act, you would encounter a situation wherein you would be attempting to exempt aircraft retroactively to January, 1974, on the strength of distinctions in law that only took effect in late October, 1978. That would be rather untenable. The sense of the request was to provide an exemption for all aircraft except those which were "company" owned and operated, and I think the language offered fairly meets that request.

AGO 787340 +

Representative Russ Meekins, Jr.

Page 2

March 22, 1980

Section 2, without an appropriation, is legally insufficient to allow the commissioner of administration to pay back funds on state warrants. No doubt the committee will provide for a separate appropriation to cover this, but I thought I would go on record in any event.

JBC:jdn

Enclosure

AGO 787341

WO#7649
Chenoweth

Original sponsor: Sackett

1 IN THE SENATE BY THE FINANCE COMMITTEE

2 HOUSE CS FOR SENATE BILL NO. 313

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 ELEVENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act exempting certain aircraft and motor vehicles
7 from the oil and gas exploration, production and pipe-
8 line transportation property tax, and providing for the
9 return of taxes collected on aircraft and motor vehicles
10 exempted by this Act; and providing for an effective
11 date."

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

13 * Section 1. AS 43.56.210(6) is amended to read:

14 (6) "taxable property"

15 (A) means real and tangible personal property used or
16 committed by contract or other agreement for use within this state
17 primarily in the exploration for, production of, or pipeline trans-
18 portation of gas or unrefined oil (except for property used solely
19 for the retail distribution or liquefaction of natural gas), or in
20 the operation or maintenance of facilities used in the exploration
21 for, production of, or pipeline transportation of gas or unrefined
22 oil; "taxable property" includes [, INCLUDING]

23 (i) machinery, appliances, supplies, and equipment;
24 [,]

25 (ii) drilling rigs, wells (whether producing or
26 not), gathering lines and transmission lines, pumping stations,
27 compressor stations, power plants, topping plants, and pro-
28 cessing units; [,]

29 (iii) roads, tank farms, tanker terminals, docks and

1 other port facilities, air strips and communication equipment
2 and facilities; [,]

3 (iv) aircraft and motor vehicles owned by a person
4 whose principal business in the state is the exploration for,
5 production of, or pipeline transportation of gas or unrefined
6 oil and whose operation of the aircraft or motor vehicle
7 directly relates to the conduct of that business; and

8 (v) maintenance equipment and facilities, and
9 maintenance camps and other related facilities;

10 (B) ["TAXABLE PROPERTY"] does not include

11 (i) permanent residences; [,]

12 (ii) office buildings requiring substantial local
13 government services; [, OR]

14 (iii) oil and gas pipeline systems owned and operated
15 by a certificated public utility regulated by the Alaska
16 Public Utilities Commission; and

17 (iv) aircraft and motor vehicles, except aircraft
18 and motor vehicles taxable under (A)(iv) of this paragraph;

19 * Sec. 2. (a) The commissioner of revenue shall provide the commissioner
20 of administration the names of taxpayers who paid to the state after
21 December 31, 1973, a tax levied on aircraft or motor vehicles which are
22 exempt from taxation under AS 43.56.210(6), as amended by sec. 1 of this Act,
23 and the amount of the taxes paid on the aircraft or motor vehicle.

24 (b) The commissioner of administration shall promptly pay each taxpayer
25 the amount determined by the commissioner of revenue under (a) of this sec-
26 tion.

27 * Sec. 3. Section 1 of this Act is retroactive to January 1, 1974.

28 * Sec. 4. This Act takes effect immediately in accordance with AS 01.10.-
29 070(c).

ALASKA
INTERNATIONAL
INDUSTRIES

Suite 600
3201 C. Street
Anchorage, Alaska 99503
(907) 276-0113

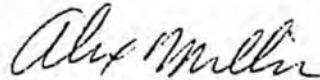
February 27, 1980

Honorable Alvin Osterback, Co-Chairman
Honorable Bill Miles, Co-Chairman
House Resources Committee
Alaska State Legislature
Pouch V
Juneau, Alaska 99811

Gentlemen:

I am forwarding to you a copy of a letter from former
Speaker of the House, Tom Fink, which I would like to have
read and entered into the official record of Senate Bill No.
313.

Sincerely,



Alex Miller
Vice President
Government and Labor Relations

s
enc.

AGO 787344

Tom Fink, C.L.U.

P. O. BOX 1066, ANCHORAGE, ALASKA 99510
PHONE 907 / 279-2522

February 26, 1980

Alex Miller

Dear Alex:

You requested a letter from me in regard to my understanding of the Pipeline Ad Valorem tax bill passed when I was Speaker of the House.

We intended to place a 20 mill tax on the pipeline and the facilities at the north and south ends of the line. We certainly did not intend to tax trucks, planes, or boats which delivered supplies to the pipeline, or pipe or tools located in Kenai.

We primarily intended to cover those facilities which would not be covered by any local government tax and those items which would also be covered at the north and south ends. We determined that the north end and the south end governments did not need the opportunity of applying a 20 mill tax because of the magnitude of the facilities in relation to the two local governments involved.

The tax was to apply to the line and necessary facilities at each end. It certainly was not designed to cover casual property occasionally located at the same geographic sites or property which some day might be used at those sites.

Very truly yours,



Tom Fink

TF/ndm



POUCH V

JUNEAU, ALASKA 99811

TELEPHONE 465-4922

Alaska State Legislature
Senate

February 29, 1980

SENATOR

Bill Ray

CHAIRMAN

COMMITTEE ON TRANSPORTATION

COMMITTEE ON TITLE IV CODE REVISION

BLUE RIBBON COMMISSION
ON THE STATE PERSONNEL ACT

TO: Representatives Osterback & Miles
Co-Chairmen, House Resources Committee

FROM: Senator Bill Ray *BR*

RE: AS 43-56-210 (6) - Taxation - SB 313

When this bill was in Finance Committee it faintly rang a bell in my memory, but I could not associate the facts during the hearing and subsequent voting on the floor.

Since that time I have had occasion to more clearly recall the circumstances involving original intent of taxation concerning oil and gas properties. I was the Chairman of the Free Conference Committee during the Special Session of 1973 which considered the proposed legislation which eventually ended up as Chapter 1.

The intent as I recollect was that the taxation mentioned in the proposed bill was not to be put on "oil and gas in place" and "intangible drilling expenses." It would appear, in my estimation, that at least air carriers would certainly come under the latter exclusion and would justify the favorable adoption by your committee of SB 313.

If you have any further questions concerning this bill, please be assured that you may call me at any time.

cc: Senator Sackett
Senator Dankworth

AGO 787346

WO#7649
Chenoweth

Original sponsor: Sackett

1 IN THE SENATE BY THE FINANCE COMMITTEE

2 HOUSE CS FOR SENATE BILL NO. 313

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 ELEVENTH LEGISLATURE - SECOND SESSION

5 A BILL

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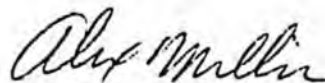
February 27, 1980

Honorable Alvin Osterback, Co-Chairman
Honorable Bill Miles, Co-Chairman
House Resources Committee
Alaska State Legislature
Pouch V
Juneau, Alaska 99811

Gentlemen:

I am forwarding to you a copy of a letter from former Speaker of the House, Tom Fink, which I would like to have read and entered into the official record of Senate Bill No. 313.

Sincerely,



Alex Miller
Vice President
Government and Labor Relations

s
enc.

AGO 787344

February 26, 1980

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Very truly yours,



Tom Fink

TF/ndm



POUCH V

JUNEAU, ALASKA 99811

TELEPHONE 465-4922

Alaska State Legislature
Senate

February 29, 1980

SENATOR

Bill Ray

CHAIRMAN

COMMITTEE ON TRANSPORTATION

COMMITTEE ON TITLE IV CODE REVISION

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If you have any further questions concerning this bill, please be assured that you may call me at any time.

cc: Senator Sackett
Senator Dankworth

AGO 787346

Alaska State Senate

HOME ADDRESS
1039 5TH AVENUE
FAIRBANKS, ALASKA 99701



X Senator John Brantovich
STANDING COMMITTEES - 1977-78
FINANCE
RESOURCES

Feb. 25, 1980

State of Alaska
House Resources Committee
The Outlook -
New Mike -

Session during Week 1973
Special Session Chapter I

Ben Thomas -

With reference to legislation you have in
Committee which would exclude such services from
the provisions of the above act & would like
to open an opinion.

At the time we passed the above act
as a result of our opinion was our vote was
was my intent was to tax private public
carried (air), the intent was to tax the in
Place physical property. As a result the
Minn. House of Representatives was "oil in gas engine,"
and "intermittent drilling operations" both of which
were excluded from the tax as passed.

Under the definition of "physical property"
as written in the Act only an oil well could
bead "an oil well" into the law.

Kindest regards.
John Brantovich,
"Honorary Member Alaska House"

CROFT, THURLOW & DUGGAN

ATTORNEYS AT LAW
738 H STREET, SUITE 200
ANCHORAGE, ALASKA 99501

CHANCY CROFT
GARY THURLOW
JOHN E. DUGGAN
LINDA M. CERRO

TELEPHONE 272-3508
AREA CODE 907
WILLIAM J. BAILEY
OF COUNSEL

February 27, 1980

Representative Alvin Osterback
Representative Bill Miles
Co-Chairmen, House Resources
Committee
Pouch "V"
Juneau, AK 99811

RE Senate Bill 313

Dear Alvin and Bill:

Several weeks ago, after Senate Bill 313 had passed the Senate and was referred to the House, a staff member of one of the House committees called and asked my opinion about this legislation. I told him then that I thought the bill should be passed because, in my opinion, there was never any intent on the part of the 1973 special session which passed the oil and gas property tax to include vehicular property owned or leased by air carriers under the tax.

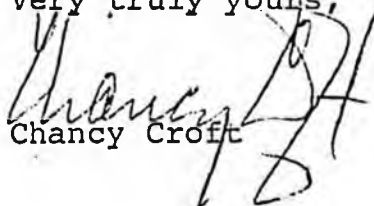
Since that time, I've been asked to express my opinion to you and I am glad to do so. I was not a member of the free commerce committee which considered the property tax and came up with the final version of the bill. However, I was actively involved with all of the legislation that passed the 1973 special session and I did offer floor amendments when the bill was being considered in the Senate. I have reviewed both Senate Bill 313 and the amended version of Senate Bill 313 as well as proposed revenue regulations, 15 AAC 05.860, and 870. In my opinion, there is little question that had Senate Bill 313, amended, been offered as a substitute to the property tax legislation in the 1973 special session, it would have passed; it would probably have passed both houses without objection. It is further my opinion that had the above revenue regulations been offered as an amendment to the ad valorem tax, they would have been defeated in both the House and the Senate.

I believe Senate Bill 313, amended, incorporates the will of the Legislature during the 1973 special session and

AGO 787348

should be passed. I believe the proposed regulations of the Department of Revenue are contrary to the legislative intent and should be annulled.

Very truly yours,

A handwritten signature in cursive script, appearing to read "Chancy Croft", written over the typed name.

Chancy Croft

CC:dat

CLIFFORD J. GROH
KENNETH P. EGGERS
JAMES T. ROBINSON
MICHAEL W. PRICE
TERRY L. JOHNSON
LANCE E. GIDCUMB
PAUL D. KELLY
DAVID A. DEVINE
TERESA A. HOGAN

LAW OFFICES OF
Groh, Eggers, Robinson, Price & Johnson
SECURITY TITLE AND TRUST BUILDING
711 "H" STREET, SUITE 600
Anchorage, Alaska 99501

TELEPHONES
(907) 272-6474
(907) 277-6433

February 26, 1980

Representative Bill Miles
Chairman
House Resources Committee
Alaska State Legislature
Pouch "V"
Juneau, Alaska 99811

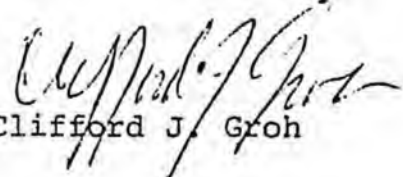
Re: A.S. 43.56.210(6) - Taxation

Dear Representative Miles:

As you well know, since you were with me, I was very active in the First Special Session of the 1973 Alaska Legislature. At that time, I was Chairman of the Senate Finance Committee and you were my assistant. I have been asked to interpret the provisions of A.S. 43.56.210(6) to determine whether the State of Alaska can tax airplanes and trucks utilized in transportation. It certainly was not the intent of the Legislature to have the tax extend to airplanes and trucks. This matter was discussed at great length and it was our intent that the only taxable property should be that used directly in the exploration for oil and gas.

I understand your committee is considering a clarification of the above section. I firmly believe that it does not need clarification, but if so, I urge the passage of Senate Bill 313.

Sincerely,


Clifford J. Groh

CJG:dla

cc: Representative Alvin Osterback

AGO 787350 +

Original sponsor:

1 IN THE SENATE

~~BY THE RESOURCES COMMITTEE~~

2 HOUSE CS FOR SENATE BILL NO. 313

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 ELEVENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act exempting property of air and motor freight
7 carriers regulated by the Alaska Transportation Com-
8 mission from the oil and gas exploration, production
9 and pipeline transportation property tax and directing
10 the commissioner of administration to refund amounts
11 collected by the state from the tax on that property;
12 and providing for an effective date."

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

14 * Section 1. AS 43.56.210(6) is amended to read:

15 (6) "taxable property"

16 (A) means real and tangible personal property used or
17 committed by contract or other agreement for use within this state
18 primarily in the exploration for, production of, or pipeline trans-
19 portation of gas or unrefined oil (except for property used solely
20 for the retail distribution or liquefaction of natural gas), or in
21 the operation or maintenance of facilities used in the exploration
22 for, production of, or pipeline transportation of gas or unrefined
23 oil, including machinery, appliances, supplies, equipment, drilling
24 rigs, wells (whether producing or not), gathering lines and trans-
25 mission lines, pumping stations, compressor stations, power plants,
26 topping plants, processing units, roads, tank farms, tanker termi-
27 nals, docks and other port facilities, air strips and communication
28 equipment and facilities, maintenance equipment and facilities, and
29 maintenance camps and other related facilities;

1 (B) ["TAXABLE PROPERTY"] does not include permanent
2 residences, office buildings requiring substantial local government
3 services, [OR] oil and gas pipeline systems owned and operated by a
4 certificated public utility regulated by the Alaska Public Utili-
5 ties Commission, or vehicular property owned or leased by air
6 carriers and motor freight carriers regulated by the Alaska Trans-
7 portation Commission;

8 * Sec. 2. The commissioner of revenue shall provide the commissioner of
9 administration with the names of taxpayers who paid to the state after
10 December 31, 1973, a tax levied on vehicular property owned or leased by
11 carriers regulated by the Alaska Transportation Commission and exempted by
12 AS 43.56.210(6) as amended by sec. 1 of this Act, and the amount paid by each
13 taxpayer on that property. The commissioner of administration shall promptly
14 pay to each taxpayer the amount paid by the taxpayer as determined by the
15 commissioner of revenue.

16 * Sec. 3. Section 1 of this Act is retroactive to January 1, 1974.

17 * Sec. 4. This Act takes effect immediately in accordance with AS 01.10.-
18 070(c).

MEMORANDUM

State of Alaska

TO:

Legislative Affairs

DEPT. _____

DIV. _____

SEC. _____

DATE : March 21, 1980

FROM:

Vicki Wilson
House Finance Committee
Capitol Bldg Rm 519
Phone: 3795/3796

SUBJECT: House CS to SB 313am

Please prepare a House Finance Committee Substitute to SB 313 am as per attached and return to me as soon as possible. Thanks.

AGO 787353 +

Introduced: 1/14/80
Referred: Finance

1 IN THE SENATE

BY SACKETT

2 SENATE BILL NO. 313 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 exempting property of air and motor freight
7 carriers regulated by the Alaska Transportation
8 *or subject to Public Law 95-504, the Airline Deregulation Act of 1978,*
9 Commission from the oil and gas exploration, production
10 and pipeline transportation property tax; and providing
11 for an effective date."

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20 the operation or maintenance of facilities used in the exploration
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22 oil, including machinery, appliances, supplies, equipment, drilling
23 rigs, wells (whether producing or not), gathering lines and trans-
24 mission lines, pumping stations, compressor stations, power plants,
25 topping plants, processing units, roads, tank farms, tanker
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27 cation equipment and facilities, maintenance equipment and facili-
28 ties, and maintenance camps and other related facilities;

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residences, office buildings requiring substantial local government

1 services, [OR] oil and gas pipeline systems owned and operated by a
2 certificated public utility regulated by the Alaska Public Utili-
3 ties Commission, ^{Aircraft or} ~~or vehicular property owned or leased by air~~
4 ~~carriers and motor freight carriers regulated by the Alaska Trans-~~
5 ~~portation Commission) or subject to Public Law 95-504, the Airline~~
6 ~~Deregulation Act of 1978.~~

* Sec. 2. ~~This Act takes effect at January 1, 1981.~~

7 NEW SECTIONS:

8 * Sec. 2. The commissioner of revenue shall provide the com-
9 missioner of administration with the names of taxpayers who paid
10 the state after December 31, 1973, a tax levied on aircraft or
11 vehicular property owned or leased by carriers regulated by the
12 Alaska Transportation Commission or subject to Public Law 95-504,
13 the Airline Deregulation Act of 1978, and exempted by AS 43.56.210 (6)
14 as amended by Sec. 1 of this Act, and the amount paid by the tax-
15 payer as determined by the commissioner of revenue. The commis-
16 sioner of administration shall promptly pay to each taxpayer the
17 amount paid by the taxpayer as determined by the commissioner of
18 revenue.
19

20
21 * Sec. 3. Section 1 of this Act is retroactive to January 1,
22 1974.

23 * Sec. 4. This Act takes effect immediately in accordance
24 with AS 01.10.070(c).
25
26
27
28
29

SB 313 am

Prepare a committee substitute as follows:

On Page 1, line 8 and Page 2, line 5 - After "Alaska Transportation Commission" insert "or subject to Public Law 95-504, the Airline Deregulation Act of 1978".

On Page 2, line 3 - Before "vehicular" insert "aircraft or".

Add a Sec. 2. to read - "The commissioner of revenue shall provide the commissioner of revenue with the names of taxpayers who paid the state after December 31, 1973, a tax levied on aircraft or vehicular property owned or leased by carriers regulated by the Alaska Transportation Commission or subject to Public Law 95-504, the Airline Deregulation Act of 1978, and exempted by AS 43.56.210(6) as amended by Sec. 1 of this Act, and the amount paid by the taxpayer as determined by the commissioner of revenue."

Add a Sec. 3 to read - "Section 1 of this Act is retroactive to January 1, 1974."

Add a Sec. 4 to read - "This Act takes effect immediatly in accordance with AS 01.10.070(c)."

219

THE LEGISLATURE OF THE STATE OF ALASKA
ELEVENTH LEGISLATURE

FISCAL NOTE

I. REQUEST

Bill/Resolution No. HCSSB 313

Title Exempting Certain Vehicular Property from AS 43.56

Requested by _____ Date _____

II. FISCAL DETAIL

Agency Affected 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-	-0-	-0-	-0-	-0-	-0-
200 TRAVEL	-0-	-0-	-0-	-0-	-0-	-0-
300 CONTRACTUAL	-0-	-0-	-0-	-0-	-0-	-0-
400 COMMODITIES	-0-	-0-	-0-	-0-	-0-	-0-
500 EQUIPMENT	-0-	-0-	-0-	-0-	-0-	-0-
600 LAND & STRUCTURES	-0-	-0-	-0-	-0-	-0-	-0-
700 GRANTS, CLAIMS, ETC.	-0-	-0-	-0-	-0-	-0-	-0-
TOTAL	-0-	-0-	-0-	-0-	-0-	-0-

FUNDING (Thousands of Dollars)

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

POSITIONS

FULL TIME	-0-	-0-	-0-	-0-	-0-	-0-
PART TIME	-0-	-0-	-0-	-0-	-0-	-0-
TEMPORARY	-0-	-0-	-0-	-0-	-0-	-0-

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

There would be no impact on the budget or operation of the Department.

IV. DATE 3/21/80

PREPARED BY

Robert M. Johnson

AGENCY

Department of Revenue

PHONE

276-1363

Original: Legislative Finance

cc: Budget and Management

Prime Sponsor (First Legislator Named)

THE LEGISLATURE OF THE STATE OF ALASKA
ELEVENTH LEGISLATURE

FISCAL NOTE

I. REQUEST
 Bill/Resolution No. Senate Bill 313 am
 Title Exempting Property of Air and Motor Freight Carriers Regulated by Alaska
 Requested by Transportation Commission Date _____
From the Oil & Gas Property Tax

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

FUNDING (Thousands of Dollars)

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

POSITIONS

FULL TIME	-0-	-0-	-0-	-0-	-0-	-0-
PART TIME	-0-	-0-	-0-	-0-	-0-	-0-
TEMPORARY	-0-	-0-	-0-	-0-	-0-	-0-

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

SB 313, as amended, will reduce the types of taxable property subject to AS 43.56. The fiscal impact would be a certain reduction in state revenues derived from the property tax and a probable reduction in revenue derived from property taxes by municipalities. The reduction in receipts would arise because property with an assessed value of between \$9,076,000 and at least \$16,076,000 would be exempted. Three factors produce the wide range in estimated values. First, it is unclear whether all vehicular property of an affected taxpayer is intended to be exempted by the bill or whether only that property which is in fact ATC-regulated (trucks and airplanes) is intended to be exempted. Second, it is unknown how much "leased" property would fall into the exemption, and whether or not the owner of that leased property would in turn be taxed. Third, a
 (continued on page 2)

IV. DATE 1/18/80 PREPARED BY Robert M. Johnson
 AGENCY Department of Revenue
 PHONE 276-1363
 Original: Legislative Finance
 cc: Budget and Management
Prime Sponsor (First Legislator Named)

lawsuit is pending on the question of including certain property in the category to be exempted by this bill. The actual tax from the assessed property would therefore range from \$181,520 to \$321,520 (2 percent of assessed value). The state would lose net taxes of between \$100,000 and \$190,000. The remainder would ordinarily pass to a municipality but it is very uncertain that the municipalities would in fact be able to assess and tax movable property of the type primarily addressed by this bill. Consequently, the municipalities too would lose tax revenue.

There would be no fiscal impact on the operation of the Department of Revenue.

THE LEGISLATURE OF THE STATE OF ALASKA
ELEVENTH LEGISLATURE

FISCAL NOTE

I. REQUEST

Bill/Resolution No. SB 313
 Title Exempting prop. of air & motor freight carriers from oil and gas
 Requested by transportation tax Date 1/14/80

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 79	FY 80	FY 81	FY 82	FY 83	FY 84
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL						
400 COMMODITIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC.						

TOTAL

FUNDING (Thousands of Dollars)

GENERAL FUND			0	0	0	0
FEDERAL FUNDS						
OTHER (Specify Fund Source)						

POSITIONS

FULL TIME						
PART TIME						
TEMPORARY						

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

This bill clarifies which property is subject to the oil and gas exploration, production and pipeline transportation property tax. No fiscal impact is expected.

IV. DATE January 15, 1980 PREPARED BY *John A. Lubitz*
 AGENCY _____
 PHONE _____

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

THE LEGISLATURE OF THE STATE OF ALASKA
ELEVENTH LEGISLATURE

FISCAL NOTE

I. REQUEST

Bill/Resolution No. HCSSB 313

Title Exempting Certain Vehicular Property from AS 43.56

Requested by _____ Date _____

II. FISCAL DETAIL

Agency Affected 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-	-0-	-0-	-0-	-0-	-0-
200 TRAVEL	-0-	-0-	-0-	-0-	-0-	-0-
300 CONTRACTUAL	-0-	-0-	-0-	-0-	-0-	-0-
400 COMMODITIES	-0-	-0-	-0-	-0-	-0-	-0-
500 EQUIPMENT	-0-	-0-	-0-	-0-	-0-	-0-
600 LAND & STRUCTURES	-0-	-0-	-0-	-0-	-0-	-0-
700 GRANTS, CLAIMS, ETC.	-0-	-0-	-0-	-0-	-0-	-0-
TOTAL	-0-	-0-	-0-	-0-	-0-	-0-

FUNDING (Thousands of Dollars)

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

POSITIONS

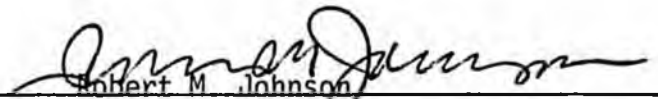
FULL TIME	-0-	-0-	-0-	-0-	-0-	-0-
PART TIME	-0-	-0-	-0-	-0-	-0-	-0-
TEMPORARY	-0-	-0-	-0-	-0-	-0-	-0-

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

There would be no impact on the budget or operation of the Department.

IV. DATE 3/27/80

PREPARED BY


Robert M. Johnson

AGENCY

Department of Revenue

Original: Legislative Finance

PHONE

276-1363

cc: Budget and Management

Prime Sponsor (First Legislator Named)

THE LEGISLATURE OF THE STATE OF ALASKA
ELEVENTH LEGISLATURE

FISCAL NOTE

I. REQUEST
 Bill/Resolution No. HCSSB 313
 Title Exempting Certain Vehicular Property from AS 43.56
 Requested by _____ Date _____

II. FISCAL DETAIL
 Agency Affected 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-	-0-	-0-	-0-	-0-	-0-
200 TRAVEL	-0-	-0-	-0-	-0-	-0-	0
300 CONTRACTUAL	-0-	-0-	-0-	-0-	-0-	-0-
400 COMMODITIES	-0-	-0-	-0-	-0-	-0-	-0-
500 EQUIPMENT	-0-	-0-	-0-	-0-	-0-	-0-
600 LAND & STRUCTURES	-0-	-0-	-0-	0	-0-	0
700 GRANTS, CLAIMS, ETC.	1.054	-0-	-0-	-0-	-0-	-0-

TOTAL

FUNDING (Thousands of Dollars)

	FY 80	FY 81	FY 82	FY 83	FY 84	FY 85
GENERAL FUND						
FEDERAL FUNDS						
OTHER (Specify Fund Source)						
	[479]	[330]	[360]	[390]	[420]	[450]

POSITIONS

	FY 80	FY 81	FY 82	FY 83	FY 84	FY 85
FULL TIME	-0-	-0-	-0-	-0-	-0-	-0-
PART TIME	-0-	-0-	-0-	-0-	-0-	-0-
TEMPORARY	-0-	-0-	-0-	-0-	-0-	-0-

III. ANALYSIS (See Fiscal Note Preparation Instructions, Section III) The prospective effect of this bill would be a reduction in AS 43.56 tax receipts to the State from \$330,000 in 1981 to \$450,000 in 1985 (trended from the 1980 assessment roll) assuming that the State nets about 60% of the 20 mill tax levied on the covered property. The remainder (40%) would ordinarily pass to a municipality but it is very uncertain that the municipalities would in fact be able to assess and tax movable property of the type primarily addressed by this bill. Consequently the municipalities might also lose tax revenue.

In addition, the State would have to refund at least \$1,054,043 in gross taxes for the amounts assessed for years 1974 through 1979. Assuming the bill is enacted and implemented prior to June 1980 collection of tax, an additional \$478,768 in 1980 state revenues (including prior year adjustment) will be foregone. See Table A Revised. The refund to taxpayers would include approximately \$400,000 credited by the State to taxpayers for taxes paid to municipalities.

IV. DATE 3/27/80 PREPARED BY Robert M. Johnson
 AGENCY Petroleum Revenue
 Original: Legislative Finance PHONE 276-1363
 cc: Budget and Management
Prime Sponsor (First Legislator Named)

Introduced: 1/14/80
Referred: Finance

1 IN THE SENATE

BY SACKETT

2 SENATE BILL NO. 313

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 ELEVENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act exempting property of air and motor freight
7 carriers regulated by the Alaska Transportation
8 Commission from the oil and gas exploration, production
9 and pipeline transportation property tax; and providing
10 for an effective date."

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

12 * Section 1. AS 43.56.210(6) is amended to read:

13 (6) "taxable property"

14 (A) means real and tangible personal property used or
15 committed by contract or other agreement for use within this state
16 primarily in the exploration for, production of, or pipeline trans-
17 portation of gas or unrefined oil (except for property used solely
18 for the retail distribution or liquefaction of natural gas), or in
19 the operation or maintenance of facilities used in the exploration
20 for, production of, or pipeline transportation of gas or unrefined
21 oil, including machinery, appliances, supplies, equipment, drilling
22 rigs, wells (whether producing or not), gathering lines and trans-
23 mission lines, pumping stations, compressor stations, power plants,
24 topping plants, processing units, roads, tank farms, tanker
25 terminals, docks and other port facilities, air strips and communi-
26 cation equipment and facilities, maintenance equipment and facili-
27 ties, and maintenance camps and other related facilities;

28 (B) ["TAXABLE PROPERTY"] does not include permanent
29 residences, office buildings requiring substantial local government

1 services, [OR] oil and gas pipeline systems owned and operated by a
2 certificated public utility regulated by the Alaska Public Utili-
3 ties Commission, or property owned by air carriers and motor
4 freight carriers regulated by the Alaska Transportation Commission;

5 * Sec. 2. This Act takes effect January 1, 1981.
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Original sponsor: Sackett

Offered: 3/31/80
Referred: Rules

1 IN THE SENATE

BY THE FINANCE COMMITTEE

2 HOUSE CS FOR SENATE BILL NO. 313

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 ELEVENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act exempting certain aircraft and motor vehicles
7 from the oil and gas exploration, production and pipe-
8 line transportation property tax, and providing for the
9 return of taxes collected on aircraft and motor vehicles
10 exempted by this Act; and providing for an effective
11 date."

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

13 * Section 1. AS 43.56.210(6) is amended to read:

14 (6) "taxable property"

15 (A) means real and tangible personal property used or
16 committed by contract or other agreement for use within this state
17 primarily in the exploration for, production of, or pipeline trans-
18 portation of gas or unrefined oil (except for property used solely
19 for the retail distribution or liquefaction of natural gas), or in
20 the operation or maintenance of facilities used in the exploration
21 for, production of, or pipeline transportation of gas or unrefined
22 oil; "taxable property" includes [, INCLUDING]

23 (i) machinery, appliances, supplies, and equipment,
24 [,]

25 (ii) drilling rigs, wells (whether producing or
26 not), gathering lines and transmission lines, pumping stations,
27 compressor stations, power plants, topping plants, and pro-
28 cessing units; [,]

29 (iii) roads, tank farms, tanker terminals, docks and

1 other port facilities, air strips and communication equipment
2 and facilities; [,]

3 (iv) aircraft and motor vehicles owned by a person
4 whose principal business in the state is the exploration for,
5 production of, or pipeline transportation of gas or unrefined
6 oil and whose operation of the aircraft or motor vehicle
7 directly relates to the conduct of that business; and

8 (v) maintenance equipment and facilities, and
9 maintenance camps and other related facilities;

10 (B) ["TAXABLE PROPERTY"] does not include

11 (i) permanent residences; [,]

12 (ii) office buildings requiring substantial local
13 government services; [, OR]

14 (iii) oil and gas pipeline systems owned and operated
15 by a certificated public utility regulated by the Alaska
16 Public Utilities Commission; and

17 (iv) aircraft and motor vehicles, except aircraft
18 and motor vehicles taxable under (A)(iv) of this paragraph;

19 * Sec. 2. (a) The commissioner of revenue shall provide the commissioner
20 of administration the names of taxpayers who paid to the state after
21 December 31, 1973, a tax levied on aircraft or motor vehicles which are
22 exempt from taxation under AS 43.56.210(6), as amended by sec. 1 of this Act,
23 and the amount of the taxes paid on the aircraft or motor vehicle.

24 (b) The commissioner of administration shall promptly pay each taxpayer
25 the amount determined by the commissioner of revenue under (a) of this sec-
26 tion.

27 * Sec. 3. Section 1 of this Act is retroactive to January 1, 1974.

28 * Sec. 4. This Act takes effect immediately in accordance with AS 01.10.-
29 070(c).

TABLE A REVISED
(ASSUMES ENACTMENT BEFORE PAYMENT OF 1980 TAXES)

	1979	1978	1977	1976	1975	1974
Number of Taxpayers	10	9	9	9	2	
Total Actual Rebate	293,986	278,100	274,330	160,095	42,514	5,018
Estimated Audit Assessment Pertaining to Tax Period	140,000 (E)	140,000 (E)	Ø	Ø	Ø	Ø
Total Cost	433,986	418,100	274,330	160,095	42,514	5,018

<u>ESTIMATED ADJUSTMENTS</u>	1978	140,000	TOTAL ACTUAL REBATE	1,054,043
	1979	140,000	STATE SHARE OF ESTIMATED ADJUSTMENTS	252,000
	1980	<u>140,000</u>	STATE SHARE OF 1980 PROBABLE COLLECTIONS	<u>226,768</u>
STATE SHARE OF AUDIT ADJUSTMENTS (60%)		420,000	TOTAL COST TO THE STATE	\$1,532,811
		<u>.6</u>		
		252,000		

REVENUE FOREGONE 1980

Number of Probable Taxpayers	9
Amount of Probable Collections	377,279
State Share (60%)	<u>.6</u>
	\$226,768

Introduced: 1/14/80
Referred: Finance

1 IN THE SENATE

BY SACKETT

2 SENATE BILL NO. 313 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 exempting property of air and motor freight
7 carriers regulated by the Alaska Transportation
8 Commission from the oil and gas exploration, production
9 and pipeline transportation property tax; and providing
10 for an effective date."

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

12 * Section 1. AS 43.56.210(6) is amended to read:

13 (6) "taxable property"

14 (A) means real and tangible personal property used or
15 committed by contract or other agreement for use within this state
16 primarily in the exploration for, production of, or pipeline trans-
17 portation of gas or unrefined oil (except for property used solely
18 for the retail distribution or liquefaction of natural gas), or in
19 the operation or maintenance of facilities used in the exploration
20 for, production of, or pipeline transportation of gas or unrefined
21 oil, including machinery, appliances, supplies, equipment, drilling
22 rigs, wells (whether producing or not), gathering lines and trans-
23 mission lines, pumping stations, compressor stations, power plants,
24 topping plants, processing units, roads, tank farms, tanker
25 terminals, docks and other port facilities, air strips and communi-
26 cation equipment and facilities, maintenance equipment and facili-
27 ties, and maintenance camps and other related facilities;

28 (B) ["TAXABLE PROPERTY"] does not include permanent
29 residences, office buildings requiring substantial local government

1 services, [OR] oil and gas pipeline systems owned and operated by a
2 certificated public utility regulated by the Alaska Public Utili-
3 ties Commission, or vehicular property owned or leased by air
4 carriers and motor freight carriers regulated by the Alaska Trans-
5 portation Commission;

6 * Sec. 2. This Act takes effect January 1, 1981.
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SB 313 am

Prepare a committee substitute as follows:

On Page 1, line 8 and Page 2, line 5 - After "Alaska Transportation Commission" insert "or subject to Public Law 95-504, the Airline Deregulation Act of 1978".

On Page 2, line 3 - Before "vehicular" insert "aircraft or".

Add a Sec. 2. to read - "The commissioner of revenue shall provide the commissioner of revenue with the names of taxpayers who paid the state after December 31, 1973, a tax levied on aircraft or vehicular property owned or leased by carriers regulated by the Alaska Transportation Commission or subject to Public Law 95-504, the Airline Deregulation Act of 1978, and exempted by AS 43.56.210(6) as amended by Sec. 1 of this Act, and the amount paid by the taxpayer as determined by the commissioner of revenue."

Add a Sec. 3 to read - "Section 1 of this Act is retroactive to January 1, 1974."

Add a Sec. 4 to read - "This Act takes effect immediately in accordance with AS 01.10.070(c)."



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

3/23/90
Date

Original sponsor: Rules/Governor

1 IN THE SENATE

BY THE FINANCE COMMITTEE

2 HOUSE CS FOR SENATE BILL NO. 315

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 investment of state funds; and
7 providing for an effective date."

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

9 * Section 1. AS 14.25.180(b) is amended to read:

10 (b) When, in the opinion of the commissioner of administration,
11 there is on hand in the retirement fund a surplus over and above a
12 reasonably safe amount to take care of current demands upon the fund,
13 the surplus or so much of it as in the judgment of the commissioner of
14 administration is considered proper may be invested at competitive na-
15 tional market rates by the commissioner of revenue in

16 [(1) BONDS OR OTHER INTEREST-BEARING OBLIGATIONS AND SECURITIES
17 OF THE UNITED STATES OR AN AGENCY OF THE UNITED STATES, A STATE OF THE
18 UNITED STATES, OR A POLITICAL SUBDIVISION OF ANY STATE OF THE UNITED
19 STATES, IF THE POLITICAL SUBDIVISION HAS A POPULATION AS SHOWN BY THE
20 LAST FEDERAL CENSUS PRECEDING THE INVESTMENT OF NO LESS THAN 30,000
21 INHABITANTS, EXCEPT NO POPULATION LIMITATION APPLIES TO A POLITICAL
22 SUBDIVISION OF THIS STATE;

23 (2) FIRST LIEN REAL ESTATE MORTGAGE SECURITIES INSURED BY THE
24 FEDERAL HOUSING ADMINISTRATION UNDER THE NATIONAL HOUSING ACT OF THE
25 UNITED STATES, OR HELD BY THE DEPARTMENT OF COMMERCE, OR THE DEPARTMENT
26 OF NATURAL RESOURCES;

27 (3) CORPORATION BONDS, AND PREFERRED AND COMMON STOCKS AS THE
28 COMMISSIONER OF REVENUE CONSIDERS PROPER INVESTMENTS FOR THE FUNDS;]

29 (4) shares of federally chartered savings and loan associa-

1 tions in Alaska, to the extent that the investment is insured by the
2 federal government or by an agency of the federal government;

3 (5) deposits with mutual savings banks in Alaska, to the
4 extent that the investment is insured by the federal government or an
5 agency of the federal government;

6 (6) deposits with state and national banks in Alaska to the
7 extent that the investment is insured by the federal government or an
8 agency of the federal government;

9 [(7) LOANS GUARANTEED BY THE DIVISION OF VETERANS' AFFAIRS
10 UNDER AS 26.15.040(b);]

11 (8) (deleted);

12 (9) the guaranteed portion of Small Business Administration
13 loans;

14 (10) first lien real estate mortgages guaranteed by the
15 federal Veterans Administration;

16 (11) notes secured by mortgages of commercial or residential
17 buildings [REAL ESTATE OR OTHER SECURITY] if the mortgages are insured
18 by a private mortgage insurance corporation which is authorized to do
19 business in Alaska and has combined capital, surplus and reserves aggregating at least \$20,000,000; however,

21 (A) no mortgage insurance is necessary for commercial
22 loans having loan-to-value ratios of less than 50 percent and the
23 minimum coverage of other commercial loans shall be 10 percent for
24 those having a loan-to-value ratio of 50-60 percent and 15 percent
25 for those having a loan-to-value ratio greater than 60 percent but
26 no more than 75 percent, and

27 (B) no mortgage insurance is necessary for residential
28 loans having a loan-to-value ratio of less than 70 percent and the
29 minimum coverage of other residential loans shall be 10 percent for

1 those having a loan-to-value ratio greater than 70 percent but less
2 than 90 percent and 20 percent for those having a loan-to-value
3 ratio of 90 percent;

4 (12) conventional residential mortgages if the originating
5 financial institution retains at least 25 percent of the mortgage for a
6 minimum of two years;

7 (13) notes secured by mortgages of commercial buildings [REAL
8 ESTATE] if the originating financial institution retains at least 25
9 percent of the mortgage until maturity;

10 (14) FHA guaranteed portion of business and industrial loans
11 made under the Rural Development Act of 1972;

12 [(15) GUARANTEED PORTION OF LOANS MADE UNDER THE FEDERAL SHIP
13 FINANCING ACT OF 1972. NO MORE THAN 25 PERCENT OF THE SURPLUS MAY BE
14 INVESTED IN MORTGAGE SECURITIES OF THE DEPARTMENT OF COMMERCE, AND THE
15 STATE SHALL APPROPRIATE SUFFICIENT MONEY FROM THE GENERAL FUND TO REIM-
16 BURSE THE TEACHERS' RETIREMENT SYSTEM FOR ANY LOSSES INCURRED AS A
17 RESULT OF FAILURE OF THE OBLIGORS TO PAY ON THE NOTES. NO MORE THAN
18 \$400,000 OF THE SURPLUS MAY BE INVESTED ANNUALLY IN THE MORTGAGE SECURI-
19 TIES OF THE DEPARTMENT OF NATURAL RESOURCES, AND THE STATE SHALL APPRO-
20 PRIATE SUFFICIENT MONEY FROM THE GENERAL FUND TO REIMBURSE THE TEACHERS'
21 RETIREMENT SYSTEM FOR ANY LOSSES INCURRED AS A RESULT OF FAILURE OF THE
22 OBLIGORS TO PAY ON THE NOTES;

23 (16) BONDS, DEBENTURES, NOTES, OR OTHER OBLIGATIONS ISSUED,
24 GUARANTEED, OR ASSUMED AS TO BOTH PRINCIPAL AND INTEREST BY THE GOVERN-
25 MENT OF THE DOMINION OF CANADA, OR BY ANY PROVINCE OF CANADA, OR BY ANY
26 MUNICIPALITY OF CANADA WHICH HAS A POPULATION OF NOT LESS THAN 150,000,
27 IF (A) THE FULL FAITH AND CREDIT OF THE ISSUER, GUARANTOR, OR ASSUMER OF
28 THE BONDS, DEBENTURES, NOTES, OR OTHER OBLIGATIONS IS PLEDGED FOR THE
29 PAYMENT OF PRINCIPAL AND INTEREST ON THEM, (B) THE PRINCIPAL AND INTEREST

1 ON THEM IS PAYABLE IN UNITED STATES CURRENCY, EITHER UNCONDITIONALLY OR
2 AT THE OPTION OF THE HOLDER, AND (C) THESE OBLIGATIONS ARE RATED A OR AN
3 EQUIVALENT QUALITY BY A NATIONALLY RECOGNIZED RATING ORGANIZATION;]

4 (17) bankers' acceptances which are eligible for discount at
5 the Federal Reserve Bank and [NEGOTIABLE TIME] certificates of deposit
6 issued by United States domestic [COMMERCIAL] banks which are members of
7 the Federal Deposit Insurance Corporation if a generally recognized
8 secondary market exists for the certificates of deposit;

9 (18) obligations of, or obligations insured by or guaranteed
10 by, the United States or agencies or instrumentalities of the United
11 States;

12 (19) obligations secured by reserves paid in by the United
13 States or agencies or instrumentalities of the United States or obliga-
14 tions of corporations in which the United States is a shareholder or
15 member;

16 (20) corporate debt securities with a minimum rating of "A" or
17 an equivalent rating by a nationally recognized rating organization;

18 (21) preferred and common stock of companies which have paid
19 dividends in each of the three years immediately preceding the invest-
20 ment;

21 (22) commercial paper bearing the highest rating of a nation-
22 ally recognized rating organization;

23 (23) securities of foreign governments, foreign governmental
24 agencies, and foreign corporations the principal, interest or dividends
25 on which are payable in either United States dollars or foreign curren-
26 cies; however, investments under this paragraph may not exceed 15 per-
27 cent of the total investments of the retirement fund;

28 (24) foreign time deposits of both United States-owned and
9 foreign-owned banks and trust companies denominated in either United

1 States dollars or foreign currencies; however, investments under this
2 paragraph may not exceed 25 percent of the total investments of the re-
3 retirement fund;

4 (25) gold bullion if it is registered with a nationally recog-
5 nized dealer and is certified as to fineness of at least 99.5 percent;
6 however, investments under this paragraph may not exceed 15 percent of
7 the total investments of the retirement fund.

8 * Sec. 2. AS 14.25.180(c) is amended to read:

9 (c) In making investments the commissioner of revenue shall exer-
10 cise the judgment and care under the circumstances then prevailing which
11 an institutional investor [MEN] of ordinary prudence, discretion, and
12 intelligence exercises [EXERCISE] in the management of large investments
13 entrusted to it [THEIR OWN AFFAIRS] not in regard to speculation but in
14 regard to the permanent disposition of [THEIR] funds, considering [THE]
15 probable safety of capital as well as probable income [THEREFROM AS WELL
16 AS THE PROBABLE SAFETY OF THEIR CAPITAL]. However, no more than 50
17 percent of the retirement fund may be invested at any given time in
18 corporate stocks and debt securities [BONDS], nor may more than five
19 percent of the voting stock of a [ANY] corporation be owned. Stocks
20 eligible for purchase are restricted to stocks which, except for bank
21 stocks and insurance stocks, are listed upon an exchange registered with
22 the Federal Securities and Exchange Commission.

23 * Sec. 3. AS 14.25.180(d)(5) is amended to read:

24 (5) register investments held in the retirement fund in the
25 name of the system;

26 * Sec. 4. AS 14.25.180(e) is repealed and re-enacted to read:

27 (e) To qualify as a mortgage which may be purchased under (b)(11),
28 (12) or (13) of this section,

29 (1) the originating financial institution must certify that

1 the mortgage has been made in compliance with law and that liens sup-
2 porting the mortgage have been perfected;

3 (2) the mortgage may not have been held by the originating
4 financial institution for a period greater than 90 days.

5 * Sec. 5. AS 14.25.180 is amended by adding new subsections to read:

6 (g) The commissioner of revenue may enter into futures contracts
7 for the sale of investments purchased under (b) of this section only for
8 the purpose of hedging an existing equivalent ownership position in the
9 investments.

10 (h) The commissioner of revenue may transfer at any time a portion
11 of the assets of the retirement fund to a trust which is qualified under
12 sec. 401(a) and exempt from taxation under sec. 501(a) of the Internal
13 Revenue Code of 1954, as amended, and which is maintained as a medium
14 for pooling a portion of the funds of pension and profit-sharing trusts
15 for diversifying investments in real estate and interests in real
16 estate.

17 (i) The commissioner of revenue may enter into a contract or trust
18 agreement necessary to effectuate the transfer of assets of the retire-
19 ment fund or to maintain the assets of the retirement fund to be trans-
20 ferred to a trust under (h) of this section.

21 * Sec. 6. AS 37.10.070 is repealed and re-enacted to read:

22 Sec. 37.10.070. INVESTMENT OF SURPLUS FUNDS. (a) When the
23 commissioner of revenue determines that there is in the state treasury a
24 surplus above an amount sufficient to meet current and projected cash
25 expenditure needs, the surplus shall be invested at competitive national
26 market rates unless otherwise provided by law in any of the following:

27 (1) obligations of, or obligations insured or guaranteed by,
28 the United States or agencies or instrumentalities of the United States;

29 (2) obligations secured by reserves paid in by the United

1 States or agencies or instrumentalities of the United States or obliga-
2 tions of corporations in which the United States is a shareholder or
3 member;

4 (3) certificates of deposit issued by United States domestic
5 banks which are members of the Federal Deposit Insurance Corporation for
6 which a generally recognized secondary market exists or which are
7 secured fully at all times as to the payment of principal and interest
8 in accordance with Alaska law;

9 (4) corporate debt securities with a minimum rating of "Baa"
10 or the equivalent by a nationally recognized rating organization and the
11 preferred and common stocks of companies which have paid dividends
12 continuously for the last three years;

13 (5) commercial paper bearing the highest rating of a na-
14 tionally recognized rating organization;

15 (6) securities of foreign governments, foreign governmental
16 agencies, and foreign corporations the principal, interest or dividends
17 of which are payable in either United States dollars or foreign curren-
18 cies;

19 (7) bankers acceptances drawn on and accepted by banks with a
20 combined capital and surplus aggregating at least \$200,000,000;

21 (8) shares of federally chartered savings and loan associa-
22 tions in Alaska which are fully secured at all times as to the payment
23 of principal and interest in accordance with Alaska law;

24 (9) savings certificates issued by state-chartered savings
25 and loan associations in Alaska which are fully secured at all times as
26 to the payment of principal and interest in accordance with Alaska law;

27 (10) deposits with mutual savings banks in Alaska which are
28 fully secured at all times as to the payment of principal and interest
29 in accordance with Alaska law;

1 (11) fixed-term certificates of indebtedness of federally
2 insured credit unions in Alaska which are fully secured at all times as
3 to the payment of principal and interest in accordance with Alaska law;

4 (12) foreign time deposits of both United States-owned and
5 foreign-owned banks and trust companies denominated in either United
6 States dollars or foreign currencies;

7 (b) The maturity date of an investment made under (a) of this
8 section may not be later than one year after the date of the investment.

9 (c) In making investments, the commissioner of revenue shall
10 exercise the judgment and care under the circumstances then prevailing
11 which an institutional investor of ordinary prudence, discretion, and
12 intelligence exercises in the management of large investments entrusted
13 to it not in regard to speculation but in regard to the permanent dispo-
14 sition of funds, considering probable safety of capital as well as
15 probable income.

16 (d) Except as provided in this section, the commissioner of
17 revenue may

18 (1) invest and reinvest the principal and income without
19 distinction between principal and income;

20 (2) sell, exchange, convey, transfer, or otherwise dispose of
21 an investment of the general fund by private contract or at public
22 auction;

23 (3) vote upon a stock, bond, or other security; give a
24 general or special proxy or power of attorney with or without power of
25 substitution; exercise a conversion privilege, subscription right, or
26 other option and make payments incidental to it; consent to or partici-
27 pate in a corporate reorganization or other change affecting corporate
28 securities, delegate discretionary power, pay an assessment or charge in
29 connection with the delegation; and generally exercise any of the powers

1 of an owner with respect to stocks, bonds, securities, or other invest-
2 ments held in the general fund;

3 (4) make, execute, acknowledge, and deliver documents of
4 transfer and conveyance and instruments necessary or appropriate to
5 carry out the powers granted;

6 (5) register investments held in the name of the state;

7 (6) do all acts whether or not expressly authorized which are
8 considered necessary or proper for the protection of the investments.

9 (e) The commissioner of revenue may enter into futures contracts
10 for the sale of investments purchased under (a) of this section only for
11 the purpose of hedging an existing equivalent ownership position in
12 these investments.

13 (f) The commissioner of revenue may enter into contracts for
14 services providing investment advice, custody of securities, and execu-
15 tion of transactions, in or out of Alaska.

16 * Sec. 7. AS 39.35.110(a) is amended to read:

17 (a) When, in the opinion of the commissioner of administration,
18 there is on hand in the pension fund a surplus over and above a reason-
19 ably safe amount to take care of current demands upon the fund, the
20 surplus, or so much of it as in the judgment of the commissioner of
21 administration is considered proper, may be invested at competitive
22 national market rates by the commissioner of revenue in

23 [(1) BONDS OR OTHER INTEREST-BEARING OBLIGATIONS AND SECURI-
24 TIES OF THE (A) UNITED STATES OR AN AGENCY OF THE UNITED STATES, (B) A
25 STATE OF THE UNITED STATES, OR (C) A POLITICAL SUBDIVISION OF A STATE OF
26 THE UNITED STATES, IF THE POLITICAL SUBDIVISION HAS A POPULATION AS
27 SHOWN BY THE LAST FEDERAL CENSUS PRECEDING THE INVESTMENT OF NOT LESS
28 THAN 30,000 INHABITANTS; WITH RESPECT TO POLITICAL SUBDIVISIONS OF THIS
29 STATE; NO POPULATION LIMITATION APPLIES;

1 (2) FIRST LIEN REAL ESTATE MORTGAGE SECURITIES INSURED BY THE
2 FEDERAL HOUSING ADMINISTRATION UNDER THE NATIONAL HOUSING ACT OF THE
3 UNITED STATES OR HELD BY THE DIVISION OF VETERANS' AFFAIRS UNDER
4 AS 26.15, OR LOANS GUARANTEED BY THE DIVISION OF VETERANS' AFFAIRS UNDER
5 AS 26.15.040(b);

6 (3) CORPORATION BONDS AND PREFERRED AND COMMON STOCKS AS THE
7 COMMISSIONER OF REVENUE CONSIDERS PROPER INVESTMENTS FOR THE FUNDS;

8 (4) FIRST LIEN REAL ESTATE MORTGAGE SECURITIES HELD BY THE
9 DEPARTMENT OF NATURAL RESOURCES UNDER AS 03.10;]

10 (5) shares of federally chartered savings and loan associa-
11 tions in Alaska, to the extent that the [SUCH] investment is insured by
12 the federal government or an agency of the federal government [THEREOF];

13 (6) deposits with mutual savings banks in Alaska, to the
14 extent that the [SUCH] investment is insured by the federal government
15 or an agency of the federal government [THEREOF];

16 (7) deposits with state and national banks in Alaska to the
17 extent that the investment is insured by the federal government or an
18 agency of the federal government;

19 (8) [MUTUAL FUNDS;]

20 (9) the guaranteed portion of Small Business Administration
21 loans;

22 (10) first lien real estate mortgages guaranteed by the
23 federal Veterans Administration;

24 (11) notes secured by mortgages of commercial or residential
25 buildings [REAL ESTATE OR OTHER SECURITY] if the mortgages are insured
26 by a private mortgage insurance corporation which is authorized to do
27 business in Alaska and has combined capital, surplus and reserves aggre-
28 gating at least \$20,000,000; however;

29 (A) no mortgage insurance is necessary for commercial

1 loans having loan-to-value ratios of less than 50 percent and the
2 minimum coverage of other commercial loans shall be 10 percent for
3 those having a loan-to-value ratio of 50-60 per cent and 15 percent
4 for those having a loan-to-value ratio greater than 60 percent but
5 no more than 75 percent, and

6 (B) no mortgage insurance is necessary for residential
7 loans having a loan-to-value ratio of less than 70 percent and the
8 minimum coverage of other residential loans shall be 10 percent for
9 those having a loan-to-value ratio greater than 70 percent but less
10 than 90 percent and 20 percent for those having a loan-to-value
11 ratio of 90 percent;

12 (12) conventional residential mortgages if the originating
13 financial institution retains at least 25 percent of the mortgage for a
14 minimum of two years;

15 (13) notes secured by mortgages of commercial buildings [REAL
16 ESTATE] if the originating financial institution retains at least 25
17 percent of the mortgage until maturity;

18 (14) FHA guaranteed portion of business and industrial loans
19 made under the Rural Development Act of 1972;

20 [(15) GUARANTEED PORTION OF LOANS MADE UNDER THE FEDERAL SHIP
21 FINANCING ACT OF 1972;

22 (16) BONDS, DEBENTURES, NOTES, OR OTHER OBLIGATIONS ISSUED,
23 GUARANTEED, OR ASSUMED AS TO BOTH PRINCIPAL AND INTEREST BY THE GOVERN-
24 MENT OF THE DOMINION OF CANADA, OR BY ANY PROVINCE OF CANADA, OR BY ANY
25 MUNICIPALITY OF CANADA WHICH HAS A POPULATION OF NOT LESS THAN 150,000,
26 IF (A) THE FULL FAITH AND CREDIT OF THE ISSUER, GUARANTOR, OR ASSUMER OF
27 THE BONDS, DEBENTURES, NOTES, OR OTHER OBLIGATIONS IS PLEDGED FOR THE
28 PAYMENT OF PRINCIPAL AND INTEREST ON THEM, (B) THE PRINCIPAL AND INTEREST
29 ON THEM IS PAYABLE IN UNITED STATES CURRENCY, EITHER UNCONDITIONALLY OR

1 AT THE OPTION OF THE HOLDER, AND (C) THESE OBLIGATIONS ARE RATED A OR AN
2 EQUIVALENT QUALITY BY A NATIONALLY RECOGNIZED RATING ORGANIZATION;]

3 (17) bankers' acceptances which are eligible for discount at
4 the Federal Reserve Bank and [NEGOTIABLE TIME] certificates of deposit
5 issued by United States domestic [COMMERCIAL] banks which are members of
6 the Federal Deposit Insurance Corporation if a generally recognized
7 secondary market exists for the certificates of deposit;

8 (18) obligations of, or obligations insured by or guaranteed
9 by, the United States or agencies or instrumentalities of the United
10 States;

11 (19) obligations secured by reserves paid in by the United
12 States or agencies or instrumentalities of the United States or obliga-
13 tions of corporations in which the United States is a shareholder or
14 member;

15 (20) corporate debt securities with a minimum rating of "A" or
16 an equivalent rating by a nationally recognized rating organization;

17 (21) preferred and common stock of companies which have paid
18 dividends in each of the three years immediately preceding the invest-
19 ment;

20 (22) commercial paper bearing the highest rating of a nation-
21 ally recognized rating organization;

22 (23) securities of foreign governments, foreign governmental
23 agencies, and foreign corporations the principal, interest or dividends
24 on which are payable in either United States dollars or foreign curren-
25 cies; however, investments under this paragraph may not exceed 15 per-
26 cent of the total investments of the pension fund;

27 (24) foreign time deposits of both United States-owned and
28 foreign-owned banks and trust companies denominated in either United
29 States dollars or foreign currencies; however, investments under this

1 paragraph may not exceed 25 percent of the total investments of the pen-
2 sion fund;

3 (25) gold bullion if it is registered with a nationally recog-
4 nized dealer and is certified as to fineness of at least 99.5 percent;
5 however, investments under this paragraph may not exceed 15 percent of
6 the total investments of the pension fund.

7 Sec. 8. AS 39.35.110(c) is amended to read:

8 (c) In making investments the commissioner of revenue shall exer-
9 cise the judgment and care under the circumstances then prevailing which
10 an institutional investor [A MAN] of ordinary prudence, discretion, and
11 intelligence exercises in the management of large investments entrusted
12 to it [HIS OWN AFFAIRS] not in regard to speculation but in regard to
13 the permanent disposition of [HIS] funds, considering [THE] probable
14 safety of capital as well as probable income [FROM THEM AS WELL AS THE
15 PROBABLE SAFETY OF HIS CAPITAL]. However, no more than 50 percent of
16 the pension fund may be invested at a given time in [MUTUAL FUNDS AND]
17 corporate stocks and debt securities [BONDS], nor may [ANY] more than
18 five percent of the voting stock of one corporation be owned. Stocks
19 eligible for purchase are restricted to stocks which, except for bank
20 stocks and [,] insurance stocks [, AND SHARES IN MUTUAL FUNDS], are
21 listed upon an exchange registered with the Federal Securities and
22 Exchange Commission.

23 * Sec. 9. AS 39.35.110(e) is repealed and re-enacted to read:

24 (e) To qualify as a mortgage which may be purchased under (a)(11),
25 (12), or (13) of this section,

26 (1) the originating financial institution must certify that
27 the mortgage being sold has been made in compliance with law and that
28 liens supporting the mortgage have been perfected;

29 (2) the mortgage may not have been held by the originating

1 financial institution for a period greater than 90 days.

2 * Sec. 10. AS 39.35.110 is amended by adding new subsections to read:

3 (h) The commissioner of revenue may enter into futures contracts
4 for the sale of investments purchased under (a) of this section only for
5 the purpose of hedging an existing equivalent ownership position in the
6 investments.

7 (i) The commissioner of revenue may transfer at any time a portion
8 of the assets of the retirement fund to a trust which is qualified under
9 sec. 401(a) and exempt from taxation under sec. 501(a) of the Internal
10 Revenue Code of 1954, as amended, and which is maintained as a medium
11 for pooling a portion of the funds of pension and profit sharing trusts
12 for diversifying investments in real estate and interests in real es-
13 tate.

14 (j) The commissioner of revenue may enter into a contract or trust
15 agreement necessary to effectuate the transfer of assets of the pension
16 fund or to maintain the assets of the pension fund to be transferred to
17 a trust under (i) of this section.

18 * Sec. 11. AS 03.10.054; AS 16.10.330, 16.10.550; AS 26.15.070(b);
19 AS 44.33.270(b), 44.33.370(b); AS 44.47.350(b); AS 45.88.040(b); AS 45.90.-
20 040(b); and AS 45.95.020(b) are repealed.

21 * Sec. 12. AS 39.35.110(b) and (g) are repealed.

22 * Sec. 13. Section 11 of this Act takes effect July 1, 1980.

23 * Sec. 14. Sections 1 - 10, 13, and 14 of this Act take effect immedi-
24 ately in accordance with AS 01.10.070(c).

COMMITTEE REPORT

(11)

HOUSE

5/9/80

FURTHER:

Date: 5/15/80

Mr. Speaker:

The Committee on FINANCE has had SB 315

"An Act relating to search and rescue and creating a search and rescue fund; and providing for an effective date."

under consideration and (a majority of the committee) (the committee) reports it back with the following recommendations:

- do pass do not pass
- do pass with attached amendments(s)
- replace with ^{House} CS for SB 315 same title
 new title
- and recommends individual rec.
- AND attaches a "Letter of Intent" New Fiscal Note
- reports it back without recommendation
- referred to the _____ Committee

**MEMBERS SIGNING
DO PASS**

[Signature]

[Signature]

[Signature]

[Signature]

[Signature]

[Signature]

[Signature]

[Signature]

[Signature]

**MEMBERS HAVING
OTHER RECOMMENDATIONS:**

[Signature] - No Rec.

[Signature] - No Rec.

[Signature] - No Rec.

[Signature]

[Signature]

[Signature]
CHAIRMAN

Original sponsor: Rules/Governor

1 IN THE SENATE

BY THE FINANCE COMMITTEE

2 HOUSE CS FOR SENATE BILL NO. 315

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 investment of state funds; and
7 providing for an effective date."

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

9 * Section 1. AS 14.25.180(b) is amended to read:

10 (b) When, in the opinion of the commissioner of administration,
11 there is on hand in the retirement fund a surplus over and above a
12 reasonably safe amount to take care of current demands upon the fund,
13 the surplus or so much of it as in the judgment of the commissioner of
14 administration is considered proper may be invested at competitive na-
15 tional market rates by the commissioner of revenue in

16 [(1) BONDS OR OTHER INTEREST-BEARING OBLIGATIONS AND SECURITIES
17 OF THE UNITED STATES OR AN AGENCY OF THE UNITED STATES, A STATE OF THE
18 UNITED STATES, OR A POLITICAL SUBDIVISION OF ANY STATE OF THE UNITED
19 STATES, IF THE POLITICAL SUBDIVISION HAS A POPULATION AS SHOWN BY THE
20 LAST FEDERAL CENSUS PRECEDING THE INVESTMENT OF NO LESS THAN 30,000
21 INHABITANTS, EXCEPT NO POPULATION LIMITATION APPLIES TO A POLITICAL
22 SUBDIVISION OF THIS STATE;

23 (2) FIRST LIEN REAL ESTATE MORTGAGE SECURITIES INSURED BY THE
24 FEDERAL HOUSING ADMINISTRATION UNDER THE NATIONAL HOUSING ACT OF THE
25 UNITED STATES, OR HELD BY THE DEPARTMENT OF COMMERCE, OR THE DEPARTMENT
26 OF NATURAL RESOURCES;

27 (3) CORPORATION BONDS, AND PREFERRED AND COMMON STOCKS AS THE
28 COMMISSIONER OF REVENUE CONSIDERS PROPER INVESTMENTS FOR THE FUNDS;]

29 (4) shares of federally chartered savings and loan associa-

1 tions in Alaska, to the extent that the investment is insured by the
2 federal government or by an agency of the federal government;

3 (5) deposits with mutual savings banks in Alaska, to the
4 extent that the investment is insured by the federal government or an
5 agency of the federal government;

6 (6) deposits with state and national banks in Alaska to the
7 extent that the investment is insured by the federal government or an
8 agency of the federal government;

9 [(7) LOANS GUARANTEED BY THE DIVISION OF VETERANS' AFFAIRS
10 UNDER AS 26.15.040(b);]

11 (8) (deleted);

12 (9) the guaranteed portion of Small Business Administration
13 loans;

14 (10) first lien real estate mortgages guaranteed by the
15 federal Veterans Administration;

16 (11) notes secured by mortgages of commercial or residential
17 buildings [REAL ESTATE OR OTHER SECURITY] if the mortgages are insured
18 by a private mortgage insurance corporation which is authorized to do
19 business in Alaska and has combined capital, surplus and reserves aggre-
20 gating at least \$20,000,000; however,

21 (A) no mortgage insurance is necessary for commercial
22 loans having loan-to-value ratios of less than 50 percent and the
23 minimum coverage of other commercial loans shall be 10 percent for
24 those having a loan-to-value ratio of 50-60 percent and 15 percent
25 for those having a loan-to-value ratio greater than 60 percent but
26 no more than 75 percent, and

27 (B) no mortgage insurance is necessary for residential
28 loans having a loan-to-value ratio of less than 70 percent and the
29 minimum coverage of other residential loans shall be 10 percent for

1 those having a loan-to-value ratio greater than 70 percent but less
2 than 90 percent and 20 percent for those having a loan-to-value
3 ratio of 90 percent;

4 (12) conventional residential mortgages if the originating
5 financial institution retains at least 25 percent of the mortgage for a
6 minimum of two years;

7 (13) notes secured by mortgages of commercial buildings [REAL
8 ESTATE] if the originating financial institution retains at least 25
9 percent of the mortgage until maturity;

10 (14) FHA guaranteed portion of business and industrial loans
11 made under the Rural Development Act of 1972;

12 [(15) GUARANTEED PORTION OF LOANS MADE UNDER THE FEDERAL SHIP
13 FINANCING ACT OF 1972. NO MORE THAN 25 PERCENT OF THE SURPLUS MAY BE
14 INVESTED IN MORTGAGE SECURITIES OF THE DEPARTMENT OF COMMERCE, AND THE
15 STATE SHALL APPROPRIATE SUFFICIENT MONEY FROM THE GENERAL FUND TO REIM-
16 BURSE THE TEACHERS' RETIREMENT SYSTEM FOR ANY LOSSES INCURRED AS A
17 RESULT OF FAILURE OF THE OBLIGORS TO PAY ON THE NOTES. NO MORE THAN
18 \$400,000 OF THE SURPLUS MAY BE INVESTED ANNUALLY IN THE MORTGAGE SECURI-
19 TIES OF THE DEPARTMENT OF NATURAL RESOURCES, AND THE STATE SHALL APPRO-
20 PRIATE SUFFICIENT MONEY FROM THE GENERAL FUND TO REIMBURSE THE TEACHERS'
21 RETIREMENT SYSTEM FOR ANY LOSSES INCURRED AS A RESULT OF FAILURE OF THE
22 OBLIGORS TO PAY ON THE NOTES;

23 (16) BONDS, DEBENTURES, NOTES, OR OTHER OBLIGATIONS ISSUED,
24 GUARANTEED, OR ASSUMED AS TO BOTH PRINCIPAL AND INTEREST BY THE GOVERN-
25 MENT OF THE DOMINION OF CANADA, OR BY ANY PROVINCE OF CANADA, OR BY ANY
26 MUNICIPALITY OF CANADA WHICH HAS A POPULATION OF NOT LESS THAN 150,000,
27 IF (A) THE FULL FAITH AND CREDIT OF THE ISSUER, GUARANTOR, OR ASSUMER OF
28 THE BONDS, DEBENTURES, NOTES, OR OTHER OBLIGATIONS IS PLEDGED FOR THE
29 PAYMENT OF PRINCIPAL AND INTEREST ON THEM, (B) THE PRINCIPAL AND INTEREST

1 ON THEM IS PAYABLE IN UNITED STATES CURRENCY, EITHER UNCONDITIONALLY OR
2 AT THE OPTION OF THE HOLDER, AND (C) THESE OBLIGATIONS ARE RATED A OR AN
3 EQUIVALENT QUALITY BY A NATIONALLY RECOGNIZED RATING ORGANIZATION;]

4 (17) bankers' acceptances which are eligible for discount at
5 the Federal Reserve Bank and [NEGOTIABLE TIME] certificates of deposit
6 issued by United States domestic [COMMERCIAL] banks which are members of
7 the Federal Deposit Insurance Corporation if a generally recognized
8 secondary market exists for the certificates of deposit;

9 (18) obligations of, or obligations insured by or guaranteed
10 by, the United States or agencies or instrumentalities of the United
11 States;

12 (19) obligations secured by reserves paid in by the United
13 States or agencies or instrumentalities of the United States or obliga-
14 tions of corporations in which the United States is a shareholder or
15 member;

16 (20) corporate debt securities with a minimum rating of "A" or
17 an equivalent rating by a nationally recognized rating organization;

18 (21) preferred and common stock of companies which have paid
19 dividends in each of the three years immediately preceding the invest-
20 ment;

21 (22) commercial paper bearing the highest rating of a nation-
22 ally recognized rating organization;

23 (23) securities of foreign governments, foreign governmental
24 agencies, and foreign corporations the principal, interest or dividends
25 on which are payable in either United States dollars or foreign curren-
26 cies; however, investments under this paragraph may not exceed 15 per-
27 cent of the total investments of the retirement fund;

28 (24) foreign time deposits of both United States-owned and
29 foreign-owned banks and trust companies denominated in either United

1 States dollars or foreign currencies; however, investments under this
2 paragraph may not exceed 25 percent of the total investments of the re-
3 irement fund;

4 (25) gold bullion if it is registered with a nationally recog-
5 nized dealer and is certified as to fineness of at least 99.5 percent;
6 however, investments under this paragraph may not exceed 15 percent of
7 the total investments of the retirement fund.

8 * Sec. 2. AS 14.25.180(c) is amended to read:

9 (c) In making investments the commissioner of revenue shall exer-
10 cise the judgment and care under the circumstances then prevailing which
11 an institutional investor [MEN] of ordinary prudence, discretion, and
12 intelligence exercises [EXERCISE] in the management of large investments
13 entrusted to it [THEIR OWN AFFAIRS] not in regard to speculation but in
14 regard to the permanent disposition of [THEIR] funds, considering [THE]
15 probable safety of capital as well as probable income [THEREFROM AS WELL
16 AS THE PROBABLE SAFETY OF THEIR CAPITAL]. However, no more than 50
17 percent of the retirement fund may be invested at any given time in
18 corporate stocks and debt securities [BONDS], nor may more than five
19 percent of the voting stock of a [ANY] corporation be owned. Stocks
20 eligible for purchase are restricted to stocks which, except for bank
21 stocks and insurance stocks, are listed upon an exchange registered with
22 the Federal Securities and Exchange Commission.

23 * Sec. 3. AS 14.25.180(d)(5) is amended to read:

24 (5) register investments held in the retirement fund in the
25 name of the system;

26 * Sec. 4. AS 14.25.180(e) is repealed and re-enacted to read:

27 (e) To qualify as a mortgage which may be purchased under (b)(11),
28 (12) or (13) of this section,

29 (1) the originating financial institution must certify that

1 the mortgage has been made in compliance with law and that liens sup-
2 porting the mortgage have been perfected;

3 (2) the mortgage may not have been held by the originating
4 financial institution for a period greater than 90 days.

5 * Sec. 5. AS 14.25.180 is amended by adding new subsections to read:

6 (g) The commissioner of revenue may enter into futures contracts
7 for the sale of investments purchased under (b) of this section only for
8 the purpose of hedging an existing equivalent ownership position in the
9 investments.

10 (h) The commissioner of revenue may transfer at any time a portion
11 of the assets of the retirement fund to a trust which is qualified under
12 sec. 401(a) and exempt from taxation under sec. 501(a) of the Internal
13 Revenue Code of 1954, as amended, and which is maintained as a medium
14 for pooling a portion of the funds of pension and profit-sharing trusts
15 for diversifying investments in real estate and interests in real
16 estate.

17 (i) The commissioner of revenue may enter into a contract or trust
18 agreement necessary to effectuate the transfer of assets of the retire-
19 ment fund or to maintain the assets of the retirement fund to be trans-
20 ferred to a trust under (h) of this section.

21 * Sec. 6. AS 37.10.070 is repealed and re-enacted to read:

22 Sec. 37.10.070. INVESTMENT OF SURPLUS FUNDS. (a) When the
23 commissioner of revenue determines that there is in the state treasury a
24 surplus above an amount sufficient to meet current and projected cash
25 expenses and needs, the surplus shall be invested at competitive national
26 market rates unless otherwise provided by law in any of the following:

- 27 (1) obligations of, or obligations insured or guaranteed by,
28 the United States or agencies or instrumentalities of the United States;
29 (2) obligations secured by reserves paid in by the United

1 States or agencies or instrumentalities of the United States or obliga-
2 tions of corporations in which the United States is a shareholder or
3 member;

4 (3) certificates of deposit issued by United States domestic
5 banks which are members of the Federal Deposit Insurance Corporation for
6 which a generally recognized secondary market exists or which are
7 secured fully at all times as to the payment of principal and interest
8 in accordance with Alaska law;

9 (4) corporate debt securities with a minimum rating of "Baa"
10 or the equivalent by a nationally recognized rating organization and the
11 preferred and common stocks of companies which have paid dividends
12 continuously for the last three years;

13 (5) commercial paper bearing the highest rating of a na-
14 tionally recognized rating organization;

15 (6) securities of foreign governments, foreign governmental
16 agencies, and foreign corporations the principal, interest or dividends
17 of which are payable in either United States dollars or foreign curren-
18 cies;

19 (7) bankers acceptances drawn on and accepted by banks with a
20 combined capital and surplus aggregating at least \$200,000,000;

21 (8) shares of federally chartered savings and loan associa-
22 tions in Alaska which are fully secured at all times as to the payment
23 of principal and interest in accordance with Alaska law;

24 (9) savings certificates issued by state-chartered savings
25 and loan associations in Alaska which are fully secured at all times as
26 to the payment of principal and interest in accordance with Alaska law;

27 (10) deposits with mutual savings banks in Alaska which are
28 fully secured at all times as to the payment of principal and interest
29 in accordance with Alaska law;