

LEGISLATIVE FINANCE-HOUSE / SENATE FINANCE COMM. FILES 8879

HB 112 cont. - HB 118 460

51

We may be able to defend a concession system based on an analogy to the state's current shore fisheries lease program. That program enables the Department of Natural Resources to lease small tracts of shoreline for use by persons who hold set net permits under the state's fisheries limited entry program. For a guide area system to qualify for this analogy and answer some of the concerns raised by Owsichek, the concessions would have to be limited to state owned lands, would have to involve small tracts of land, would have to be limited in duration (one to three years), and would have to provide equal opportunity of access for all qualified guides when the concession was available for reassignment.

Even with these features, we believe that a concession system would still be found unconstitutional because of the severe manner that it would impinge on the common use guarantee as expressed in Owsichek. The analogy to the shore fisheries lease program is weakened by several factors. That program is tied directly to the state's limited entry program, a system of limiting access to fishery resources that has constitutional underpinning. A guide concession would limit access to game opportunities without an equivalent constitutional basis. 3/

State concessions and leases, as such, are not included in the common use clause. When their purpose is to allocate access to resources like timber and grazing land, the state is freer to grant exclusive rights. When allocating exclusive access to fish, wildlife, or waters, however, a land-based system would conflict with the principle of broad public access guaranteed by the common use clause.

3/ In 1972 the Alaska Constitution was amended to allow the state to limit entry into fisheries. Ak. Const. art. VIII, §15. In a later case, the Supreme Court held that although fisheries limited entry is inconsistent with the "common use" clause, this system was validated by the 1972 amendment. State v. Ostrosky, 667 P.2d 1184 (Alaska 1983), appeal dismissed 467 U.S. 1201, 81 L.Ed. 2d 339 (1984).

There is no provision in the constitution that allows for limiting entry to game resources, and currently there is no proposal for such an amendment. (Amendments to the constitution are accomplished by a proposal by each house, passed by at least a 2/3 vote, followed by a majority vote of the public at the next general election. Ak. Const. art. XIII, §1.)

The Honorable Bettye Fahrenkamp
Chairwoman, Senate Resources Committee

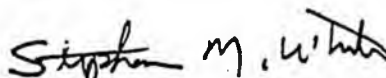
February 14, 1989
Page 5

Even if a system were developed that served only game management purposes and not the economic welfare of a segment of the guiding industry, it would not be safe. The Owsichek court noted that the common use clause precluded exclusive guide areas even if they could be justified as a wildlife management tool. ^{4/} In the court's view, the traditional game management tools -- licensing requirements, bag limits, and seasonal restrictions -- apparently are sufficient to protect the resource without conflicting with the clause. A court would recognize that the state can respond to any increased pressure on game resources by requiring hunter registration, permit drawing, or other methods now available to the Board of Game. Although these techniques may bring unpredictability to the business of guiding, we believe that a court would favor them over a system that has inherent constitutional problems.

In conclusion, a constitutional amendment is the only certain step that will guarantee a stable, long-term system that allows some, but not all qualified guides to have access to game resources in a particular area. We believe that any statutory, land-based system that does not have explicit constitutional underpinning and that resembles even remotely the EGA scheme that was struck down in Owsichek will be destined to the same fate.

Sincerely yours,

GRACE BERG SCHAIBLE
ATTORNEY GENERAL

By: 
Stephen M. White
Assistant Attorney General

SMW:jf

^{4/} Owsichek v. State, Guide Licensing and Control Board, 763 P.2d 488, 497 n.14 (Alaska 1933).

MAR 22 1989

Tom Hundley
P.O. Box 2772
Palmer, Alaska
99645
PH#(907)745-2084

Senator Rick Uehling
Alaska State Senate
Juneau

Dear Rick:

This letter concerns HB 112, SB 140, (Guiding and Game).
Thank you for you attention.

I have a copy of the work draft dated 3/13. This legislation contains provisions for continuation of the "Master Guide" license under Sec. 09.54.350 12-b.

I am looking forward to making a living under the Statutes and Regulations that this legislation spells out. My high hopes for the future lay with the creation of the new "Big Game Commercial Services Board".

I believe we are entering into a new era of responsibility in this profession. Where people (rather than benefitting from circumventing or ignoring regulations) are held accountable for their actions, and disciplined. Nothing else is appropriate, we have got to give a better accounting of ourselves. And that in the future, every action the new Board takes must have justification.

In order to build a new image for this industry the Board must show that there is reason for their actions. No longer can we afford to hand out special favors, privileges, grants, and phony titles arbitrarily as has been done in the past by the Guide Board. The re-insertion of the "Master Guide" license into this legislation is a throwback to the skewed mentality of some of the members of this industry that has been fostered over the years by controlling our trade under a Guide Board that was not so much a State licensing and disciplining agency as it was an extension of the A.P.H.A.'s will.

There had been talk within the industry for several years by members of the Guide Board advisory committee that Master Guides would be given Statewide licenses, Registered Guides limited to 3 Game Management Units. It is this whole awful scenario of certain individuals arbitrarily being given special status and privileged consideration (Exclusive Guide Areas!) that I had hoped would be erased with this legislation.

I am including 2 pages from some of the written testimony that I submitted to the Task Force on Guiding and Game. It graphically describes why it is no longer appropriate for that title to remain.

The last 5 months have been a very necessary housecleaning within the Guide industry. Please don't plant the seed for future problems. We're on a roll folks, headed for a better day. Don't fail me now.

Sincerely,
Tom Hundley
Reg. Guide

3/19/89

Tom Hundley
P.O. Box 2772
Palmer, Alaska
99645

Guide Task Force
119 N. Cushman St.
Suite 201
Fairbanks, Alaska
99701

Dear task Force member:

The main concerns that I hoped the task force would confront have been lessened by the recent Supreme Court decision abolishing Exclusive Guide Areas.

The Guide Area scheme was poorly thought out and plagued the guide industry with controversy since it's inception. Whatever few benefits it provided to the State of Alaska were far overshadowed by the neglect, by the Guide Board, in failing to enforce the statutes and regulations associated with the Guide Area system. By the abuses to our tax and finance laws that the sale and renting of Guide Areas led to. By the extorting of money from guides left with little alternative to enter the marketplace other than to purchase an Area. Over the last 15 years most of the Guide Boards time has been spent settling arguments over boundaries between men who, legally, had no right to control access to Alaska's public lands..... Bravo to the Supreme Court for driving a stake through that monster's heart.

Exclusive Guide Areas were not a game management tool. Quotas were not placed on the number of animals a guide could take. It was left up to the individual to decide. A rather strange notion considering the number of "same day airborne", and a myriad of other charges levied on Guide Area holders over the years.

We could accommodate more Registered Guides into the marketplace if we set quotas on volume. Recognize guides as woodsmen and good hunters, rather than just too busy pilots. We ought to be concerned about the number of animals taken, and the methods used to take them. More so than which lucky soul has an exclusive right to control access to public lands.

Another giant step in the right direction would be to accept that each and every Registered Guide is entitled to be considered just as worthy as the next, regardless of when they were licensed. The length of time a person is licensed in a particular trade says little about their level of skill.

One aspect of the guide licensing procedure that ought to be abolished is the title, "Master Guide". "Master Guide" implies a higher level of competence. But, there has never been any effort to guarantee a higher level of competence amongst the license holders. All a person has to do is continue to purchase a guide license for 10 years, avoid being convicted of a criminal violation having to do with Fish & Game law or guiding statutes within the past 5

years. Meet a couple more ambiguous requirements, put in your application, and bingo you're a master Guide. No exam. No periodic requirement to show continued effort at being a "Master" of the trade. You needn't ever guide again. As long as the license fee is paid the title remains.

Rather than a professional title reflecting a higher level of competence, it's sort of like being knighted by the King. The Supreme Court compared Exclusive Guide Areas to medieval fiefdoms. "Master Guide" fits real nice into that scenario. Imagine the uproar that would follow if the State licensed some lawyers as "Master Attorney", and others that passed the State Bar Exam with flying colours, as simply "Attorney". How about "Master Barber" -vs- Barber. "Master Pharmacist" -vs- Pharmacist.

Guiding is a trade. Professionals ought to gain recognition in their trade through their achievements, not through titles and special favors handed out arbitrarily by a state agency such as the Guide Board. The "Master Guide" license is a status symbol and adds an advantage when booking hunters. If the A.P.H.A. wants to hand out honorary titles, fine. But the State Of Alaska has no business adding this disparity to the guide licensing procedure.

*

Registered Guides are allowed (by the Guide Board) to be licensed in a maximum of 3 Game Management Units. That is, of course, unless they are licensed for more than 3. A quick glance through the Denali Registry (list of licensed guides) reveals that a lot of guides are licensed for a great deal more than 3 G.M.U.'s. How this came about is typical human nature. Why this disparity continues is puzzling. A cap was placed on the number of G.M.U.'s in 1980. Before that date whoever shouted the loudest got the highest number. I've talked to a lot of fellow guides about that, the consensus is: If a person had an aggressive nature and they demanded a high number of G.M.U.'s be placed on their license, they got it. Nobody could possibly have guided in all 26 Game Management Units in the State, yet there are some licensed for that many. I've guided in Units 5,8,13 11,9, 19,15, and appear on contracts for all of them. I'll eat my hat if some of those licensed for, say, from the Yukon south, can prove that they've ever guided on Kodiak or Southeastern Alaska. This disparity amongst licensed guides serves no purpose since under the (now defunct) Guide Area system a person could own a maximum of 3 Guide Areas. What it did do is add an advantage when filing on new Areas or purchasing Areas for transfer. (I'm licensed for 3)

The arbitrary method used to assign the number of G.M.U.'s in years past takes on special significance now that the State is contemplating alternatives to the Guide Area scheme. Under a permit system, would some individuals have the right to apply for permits all over the State, and others muddle by with 3? Some have suggested a "concession" scheme. Would some have the right to bid on concessions all over the State, others stuck with 3. C'mon folks, this is just another example of the "Good Old Boy" syndrome that adds controversy to an industry that needs to give a better accounting of itself.

We should all be licensed statewide, or all be restricted to

THE FOLLOWING DOCUMENT HAS
NOT BEEN FILMED BUT IS
AVAILABLE IN THE ORIGINAL
FILE

ALASKA'S BIG GAME


**A Report on the Commercial Aspects of
its Uses and Users**

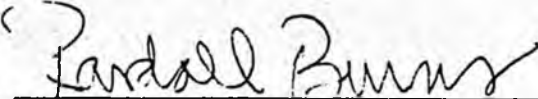
**A Final Report to
the 16th Legislature**

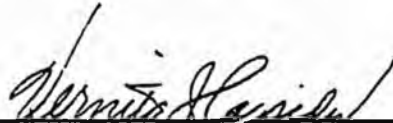
**Legislative Task Force on
Guiding and Game
January 1989**

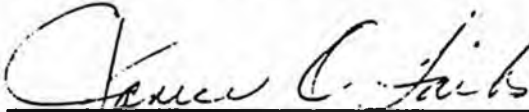
INTERIM TASK FORCE ON
GUIDING AND GAME

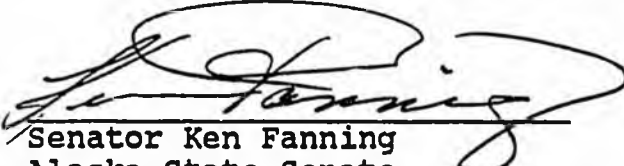
TASK FORCE MEMBERS



Mr. Pete Buist
Alaska Guide Board

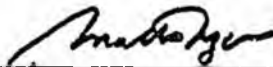

Mr. Randall Burns
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Ms. Vernita Cassidy
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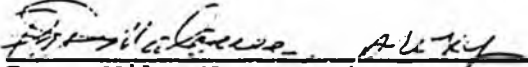

Senator Jan Faiks
Alaska State Senate

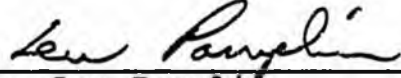

Senator Ken Fanning
Alaska State Senate



Mr. Phil Gilson
Alaska Department of
Public Safety

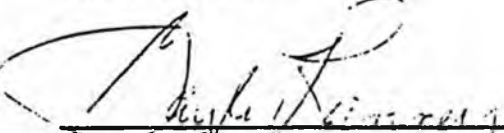

Mr. Matthew Iya
Public Member

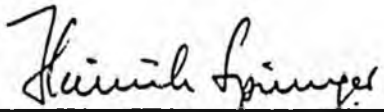

Mr. Paul Johnson
Guide Member


Rep. Mike Navarre
Alaska State House of
Representatives


Mr. Lew Pamplin
Alaska Department of
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Mr. Nick Pierskalla
Non-Guide Member


Ms. Gayle Ranney
Air Taxi Member


Rep. Heinrich Springer
Alaska State House of
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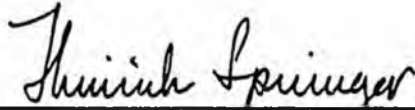
PREFACE

The Task Force has addressed the points mandated by Legislative Letter of Intent dated May 9, 1988.

The State Supreme Court decision in the Owsichuk case dated October 21, 1988, has forced the issue of commercial use of game into a broader perspective. Originally the main emphasis was to clarify the relationship and role of "outfitters". After the court's decision it became clear that all aspects needed to be reexamined, especially the role of "guides", "outfitters", and "transporters". As a result the Task Force recommends some sweeping changes. We tried hard to establish a system that accommodates the constitutional "common use" clause, puts game management and the welfare of game on sound footing, provides a viable economic base for the industry, is cost effective and enforceable, and is simple enough for effective administration.

Big game is one of Alaska's outstanding values, both from a consumptive and non-consumptive use perspective. These recommendations should assist the legislature to formulate laws that fulfill the stated objectives.

We include with our report draft legislation which we feel should be enacted immediately, as well as recommendations for formulating an area-based management concept. We recommend that the Task Force be extended to assist the legislature in defining such a system and creating enabling legislation.



Heinrich Springer, Chairman

CONTENTS

PREFACE

TASK FORCE ACTIVITY SUMMARY Page 1

RECOMMENDATIONS Page 3

DRAFT LEGISLATION

APPENDICES:

COPY OF SB 191	APPENDIX A
COPY OF LEGISLATIVE LETTER OF INTENT	APPENDIX B
MINUTES OF MEETINGS AND PUBLIC HEARINGS	APPENDIX C
REPORTS FROM SUBCOMMITTEES	APPENDIX D
SURVEY: RURAL USERS	APPENDIX E
SURVEY: GUIDES AND AIR TAXIS	APPENDIX F
RECOMMENDATIONS BY APHA, AND ALASKA OUTFITTER'S ASSN.	APPENDIX G
LB&A AUDITS ON GUIDE BOARD	APPENDIX H
RESEARCH REPORTS	APPENDIX I
INFORMATION FROM BRITISH COLUMBIA PACKET	APPENDIX J
OWSICHEK CASE - SUPREME COURT DECISION	APPENDIX K
DEPARTMENT OF LAW ANALYSIS OF SUPREME COURT DECISION	APPENDIX L
STAY OF OWSICHEK DECISION	APPENDIX M
RESOLUTION BY GUIDE BOARD	APPENDIX N
CORRESPONDENCE	APPENDIX O
NEWS ARTICLES	APPENDIX P

TASK FORCE ACTIVITY SUMMARY

The 13 member Task Force on Guiding and Game was created by the legislature through SB 191. Subjects to be covered were contained in a "Letter of Intent" for HCS CS SB 191 (Rules) dated May 9, 1988.

The Task Force conducted the following meetings and work sessions:

July 18, 1988, at Anchorage, Legislative Information Office (LIO), 3111 "C" Street.

October 24-25, 1988, at Fairbanks, LIO, 119 N. Cushman Street.

November 15-16 at Soldotna, Kenai Borough Assembly Chambers.

December 12-15 at Anchorage, LIO, 3111 "C" Street.

Work sessions by teleconference:

January 4, 9, 10, 11, and 13, 1989.

A subcommittee on rural issues held two public meetings at Kotzebue on October 4, 1988, and at King Salmon on October 5, 1988. A subcommittee on data management held two work sessions at Anchorage.

The meetings were preceded by extensive advertisement on radio and in newspapers throughout the state and in all cases allowed access through the communications network of the Legislative Information Office plus toll free numbers for persons in remote locations. In addition, RurAL CAP did an extensive survey collecting opinions from rural residents; and Senator Fanning provided survey data submitted by guides and air taxi operators. All public hearings were well attended.

The Task Force appreciates the cooperation and testimony from many individuals and organizations. Many have given freely of their time and expertise. We want to thank particularly the Alaska State Board of Game; the Alaska State Guide Board; the Alaska Professional Hunter's Association; the Alaska Outfitter's Association; Ray DeMarchi, Canada, British Columbia Ministry of the Environment, Wildlife Branch; and Steve White, Alaska State Department of Law.

The 15th Legislature addressed the problems in the field caused by unregulated "outfitters" through SB 191 and the initial work of the Task Force went in that direction.

On October 21, 1988, a couple of days prior to our Fairbanks meeting, the Supreme Court issued its decision on the Owsichek case. The timing was excellent from the Task Force's work standpoint. And basically the emphasis shifted from "outfitting" to commercial use in general. This is reflected in the recommendations. Some sweeping changes are envisioned and submitted as recommendations for consideration. Although the court decision disallows several logical approaches to game management, we believe it still allows creation of systems that reach the stated objectives.

The Task Force represented a broad cross-section of state agencies and user group viewpoints with varying and often conflicting opinions. The extensive public hearings, research, and in-depth discussions provided not only the forum, but also the background to make careful, enlightened, and fair recommendations for immediate and long-term action which will ensure proper wildlife conservation as well as a stable environment for offering commercial services for big game hunting. A fragile, but important balance has been struck. Our recommendations represent a compromise in which each specific recommendation is important to the effectiveness of the overall policy changes.

The main points of our findings and recommendations are:

- a. Support for "commercial use" of game. Throughout this report the term "commercial use" refers to the providing of hunting services for compensation.
- b. Necessity to regulate all commercial users.
- c. Recognition of three main user groups: Guide-Outfitters, Transporters, and Commercial Permit Holders and establishment of licensure requirements for Guide-Outfitters.
- d. Replace the present Guide Board with a Big Game Commercial Services Board.
- e. Create a state established and controlled area management plan.
- f. Distribute use privileges to the commercial big game industry within the framework of the State's regulations and the Supreme Court's criteria.
- g. Concentrate on long-term plans, but address interim functions.

These recommendations are described in more detail as follows.

RECOMMENDATIONS

The Task Force adopted protection of game resources as its highest priority and as an umbrella policy. All deliberations and recommendations incorporated this principle. While various agency or user group interests were sometimes compromised, wildlife conservation never was.

The Task Force closely followed the topics stated in the "Letter of Intent" for HCS CS SB 191 (Rules), albeit the Owsichuk decision considerably broadened the scope of our review in some areas. The Task Force makes the recommendations listed below:

1. Commercial use of game is a valid principle.

The Task Force on Guiding and Game recognizes that the commercial utilization of big game is an important part of a sound wildlife resource management system and that the State of Alaska realizes significant social and economic benefits from maintaining a viable commercial big game hunting industry. Alaska's big game hunting opportunities draw international attention and contribute a substantial amount to the state's tourism economy. As the world's human population continues to increase, and the resource base continues to decline, the economic and social value of these hunting opportunities will grow.

The Task Force recognizes and supports the validity of the commercial utilization of game in Alaska, within the existing framework of resource priority allocation.

2. All commercial users need to be regulated.

The State of Alaska should develop a regulatory system which ensures the health of the big game resource and permits the commercial big game hunting industry. For this to occur all commercial users must be subject to consistent and stable regulations.

3. Owsichek Case

On October 21, 1988, the Alaska Supreme Court issued its ruling on the constitutionality of the exclusive or restricted guide area system. It clearly stated that the present exclusive guide area system violates the "common use" clause of the state constitution.

Any system needs to address the following points:

1. Open access to the system;
2. Limited duration of use privilege;
3. Validity of a management principle; and,
4. Compensation to the state.

On November 1, 1988, assistant Attorney General, Stephen M. White, issued an analysis of this decision.

On December 8, 1988, the Alaska Supreme Court issued a "stay" of its decision until June 1, 1989, thus allowing the legislative and executive branches time to address the problem.

4. Examination of other states and countries.

The Task Force has examined statutes and regulations which apply to other states and countries relating to commercial aspects of game and finds them of limited value. While other areas have faced similar problems as Alaska and have found applicable solutions, their charters and constitutions contain clauses different from ours. Alaska is unique in respect to the constitutional provisions for "common use" of game, subsistence priority, and sustained yield mandate for the taking of game. (Article VIII, Sections 3 and 4, Alaska Constitution.)

5. User Group Definition.

The Task Force recommends three commercial user groups: Guide-Outfitter, Transporter, and Commercial Permit Holder.

The Guide-Outfitter can provide a broad range of services statewide, ranging from guiding to outfitting. Guide-Outfitters are the only user group who can provide services in "the field". They should be limited to selecting and operating in no more than three (3) Game Management Units (GMU's).

"The field" means any area outside of established, year-around dwellings, businesses, and other developments normally associated with villages, towns, or cities, excluding hotels and roadhouses located on the state highway system.

The Transporter is limited to providing transportation directly servicing big game hunts.

The Commercial Permit Holder is a third group consisting of service providers such as lodge operators/hunt brokers, expeditors, gear renters and commercial photographers, all of whom need to be identified and regulated. Since most of these already require some form of commercial registration, a commercial use permit will suffice to identify them. "Clubs" present a specific problem which is addressed under separate legislation.

6. User Group Qualifications and Licensure.

QUALIFICATIONS:

When appropriate, all commercial users listed below must pass an appropriate examination.

Guide-Outfitter must comply with the requirements under current law for registered or master guides and the term master guide shall be deleted. The Task Force recommends that guide-outfitter licenses shall be issued to a natural person (not an entity).

Class A Guide-Outfitter must comply with the requirements under current law for Class A Assistant Guides, with the following change: reduce the experience requirement from 20 to 10 years. It is recommended that the requirement for a letter of recommendation be deleted. It is further recommended that the state retain the special class of Marine Mammal Guide-Outfitter.

Assistant Guide-Outfitter must be at least 18 years of age, have hunting experience in the state for at least two of the past five years, possess a first aid card and have completed CPR training or equivalent (e.g., EMT or MD). It is recommended that the requirement for a letter of recommendation be deleted.

Transporter must comply with federal and state requirements for operation (transporter utilizing aircraft must have complied with Part 135; transporter utilizing boats must have U.S. Coast Guard license.)

Commercial Permit Holder must comply with federal and state requirements for operation.

All commercial users must comply with all federal and state requirements for operation, including holding lawful permits for lands occupied by the service provider.

USER GROUP LICENSES REQUIRED:

Guide-Outfitter:

1. Alaska business license
2. Guide-Outfitter license (in the appropriate category)
3. Commercial Use permit

Transporter:

1. Alaska business license
2. Transporter license
3. Commercial Use permit

Commercial Permit Holder:

1. Alaska business license
2. Commercial Use permit

Aircraft Operation Requirements:

The Task Force recommends deletion of AS 08.54.210 (a)(6) relating to Federal Aviation regulations (FAR) Part 135 requirements.

Although the Task Force is recommending that the Part 135 portion of SB 191 be deleted, this is not to indicate that the guides are being given a green light to continue using aircraft in their guiding businesses beyond what would be considered "incidental" flying. The Task Force merely feels that the regulation of commercial air commerce is under the authority of the Federal Aviation Administration.

It is suggested that those guides using aircraft for flying beyond that which is considered incidental should begin the process of application for Part 135, or should hire an existing air taxi for that portion of their flying. It is recognized that the maintenance program, the annual check rides and the inspections required for Part 135 are conducive to a safe operation.

In regards to the provisions of Part 135, the Task Force saw no need to develop a legal definition for "incidental", but rather allow the federal agencies to impose a definition as it pertains to aircraft operations (FAR Part 135).

Rural Concerns:

Rural residents often have excellent guide-outfitter capabilities from a practical standpoint, but sometimes lack the educational and theoretical aspects of the examination process to qualify for a guide-outfitter license.

In addition to recognizing traditional difficulties in rural communities, the Task Force believes that the new board needs to substantially increase its information dissemination activities to enable rural residents interested in becoming licensed guide-outfitters greater access to the licensing procedures. Enabling legislation needs to accommodate this situation.

7. User Group Reporting Requirements.

Those engaged in providing commercial services for the purpose of taking game as Guide-Outfitter, Transporter or Commercial Permit Holder must comply with annual reporting requirements based on Department of Fish and Game (ADF&G) and Public Safety final recommendations. Completion of the annual reporting requirement is a prerequisite for licensing (base camp registration).

Individual reports which pertain to the commercial aspects of game shall be confidential.

Decals, for the purpose of law enforcement identification of commercial users, should be required on all aircraft, boats, etc.

8. Fee Structure.

The Task Force has considered and established a list of suggested fees as follows:

1. Fixed Commercial Use Permit Fee - \$25 to \$50;
2. Big Game Conservation Fee - 25% of existing big game tag fee (also known as "head tax"); and,
3. License fee

Not less than 50% of the fees collected should be designated for game management.

9. Insurance and Bonding.

The Task Force has reviewed the concept, cost and availability of insurance and bonding for commercial users and has determined that, while they support and encourage having insurance, whenever possible, the market condition and difficulty of acquiring insurance and bonding may pose extreme hardships on a great number of commercial users.

Transporters and some service providers are required to have insurance in their respective fields by other regulations.

10. Penalty.

The Task Force has reviewed the statute, AS 08.54.210, and recommends the following changes, as detailed under Article 6 of the recommended legislation for unlicensed guiding, which imposes a felony penalty, and recommends the following changes:

1. Eliminate the mandatory one year sentence;
2. Make first time offenses a misdemeanor with a minimum incarceration of two months, and raise the maximum fine that may be imposed to \$30,000;
3. Make some second time offenses a felony;
4. Do not allow the judge to impose a Suspended Imposition of Sentence (SIS); and
5. Encourage continued cooperation between the Department of Public Safety, Division of Fish and Wildlife Protection and the District Attorney's office.

11. Transitional Measures for User Groups.

Those outfitters who have been engaged in the big game commercial services industry as "outfitters", and have complied with current requirements under SB 191 (registered base camps, etc.) and can show financial proof of activity in 1986, 1987, and 1988 (business license, financial documentation, IRS) may continue to operate, in the interim, until new laws have been adopted. Within one year of the effective date of passage of a new law, they must pass the guide-outfitter exam and may continue to operate as outfitters under SB 191 requirements, during that transitional period.

12. Role of State Employee.

The Task Force has examined the question of whether state employees shall be allowed to participate in the commercial taking of game and has determined that the ADF&G and DPS have policies and procedures (P&P) to administer ethics and conflict of interest statutes and that strict adherence must be enforced. They further recommend that the agencies (ADF&G and DPS) request an Attorney General's opinion on the appropriateness of state employees' participation in the commercial game industry.

13. Guide Required Species.

The Task Force has considered the question of adding species to the required guide list and recommends that mountain goats be added to the required guide list.

Based on testimony, this will go a long way to provide some compatibility with the present demand that non-residents require "guides" for hunting of sheep and brown/grizzly bear. Climate, terrain, and nature of these species necessitate assistance to the non-resident hunter.

14. Creation of a new Big Game Commercial Services Board.

The Task Force has reviewed the Legislative Budget and Audit reports for 1985 and 1987. Some problems with the Guide Board are apparent. The Task Force recommends that the Guide Board sunset upon the creation of an expanded board whose function is to regulate the activity and licensing of commercial big game user groups. That board membership shall consist of two Guide-Outfitters, one Transporter, one representative from ADF&G, and one from FWP, one State land manager (DNR), one Native land manager, one public member and one Game Board member. The board shall be administered by the Department of Commerce and Economic Development (DCED).

15. Extension of Task Force on Guiding and Game.

The Supreme Court decision on the Owsichek case shifted the emphasis of the Task Force's work from regulation of "outfitters" to a much broader scope. Since a "management system" is of paramount importance and consequence, the Task Force recommends that it be extended in order to assist the legislature in the formulation of laws pertaining to management system and area concept schemes.

16. Management System.

Due to the resulting time constraints the Task Force was unable to analyze and present a complete recommendation on the management system.

The Supreme Court issued a "stay" of its decision until June 1, 1989, which will allow the legislature to act in a deliberate manner to address this situation. In order to assist the legislature in the formulation of such a law, we recommend to extend this Task Force to capitalize on work already done.

The following preliminary recommendations are given, realizing that additional information is needed:

The Task Force finds that some kind of an area based game management concept is of utmost importance. Nearly all countries and states in the world that manage game have adopted some kind of land based management system. It is necessary to integrate the guiding-outfitting operations into Alaska's well established game management system.

Our constitutional requirements and our complex game resource allocation system (subsistence, resident and non-resident hunting) makes development and administration of an area based system a very difficult task indeed.

The obvious option to allow unrestricted access is not viable, as it would only recreate the conditions that existed in the 60's, which prompted the establishment of an assigned area system in the first place. Subsistence priority rights have been established and need to be incorporated in any management scheme. Although the game is under state jurisdiction, land surface right holders indirectly control access to game. Checkerboard distribution of land holdings further complicates this. Furthermore, federal agencies, who control the majority of land, have different regulations. The major land owners need to participate in the formulation of the management system.

Following their discussions of a management system, the Task Force recommends for immediate action, that:

1. ADF&G be designated as lead agency, whose purpose is to formulate and designate management areas within the present GMU framework; and,
2. DNR needs ability to expeditiously adopt a concession or use system that is compatible with other land uses and the practices of other land areas.

The Task Force also recommends for consideration:

The state should establish a lease, concession, or allocation system on a staggered schedule;

The state should derive some financial benefits from the commercial utilization of a public resource; such revenue should be at least partially (not less than 50%) used for game management purposes;

Allocation methods of such use privileges need to be established (lottery, negotiated, competitive bidding, etc.).

Implementation of such legislation requires close work with the Alaska Departments of Law, Natural Resources, Fish and Game, and Public Safety. The Task Force has spent considerable time on these matters and is most willing to assist.

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HOUSE COMMITTEE REPORT

(11)

Date Referred: February 21, 1989

FURTHER REFERRALS:

Date of Committee Action: 3/9/89

The FINANCE Committee considered:

HB 113

HOUSE BILL NO. 113 [EXTEND TASK FORCE ON GUIDING AND GAME]
"An Act providing for retroactive extension of the termination date of the Task Force on Guiding and Game; and providing for an effective date."

RECOMMENDS:

- replacing with CS HB 113 (Fin) the same title
- the attached amendment(s) a new title
- do pass
- do not pass
- no recommendation
- individual recommendations
- additional referral to the _____ Committee

ADOPTS: _____ letter of intent

ATTACHES NEW FISCAL NOTE(S):

- fiscal impact
- zero fiscal note
- zero with analysis

APPROVES PREVIOUS:

- fiscal note(s) published:
Leg Affairs 3/8/89
- zero fiscal notes(s) published:
ced 3/6/89; F.C.G., 2/15/89

SIGNING DO PASS:

[Signature] Hoffman
[Signature] Larson
[Signature] Suackhammer
[Signature] Koponen
[Signature] Shultz
[Signature] Phillips
[Signature] Rieger
[Signature] Wallis

SIGNING OTHER THAN DO PASS:

(Do Not Pass, No Recommendation, Amend)

[Signature] Brown
[Signature] Ulmer
[Signature] Barney

CO- [Signature]
 Chairman's signature
 CO- [Signature]

FISCAL NOTE

REQUEST:

Revision Date: _____
Title: An Act providing for retroactive extension of the termination date of the Task...
Sponsor: House Resources
Requestor: House Resources

Affect Agency Legislative Affairs Agency
BRU: Legislative Council
Components Council & Subcommittees

EXPENDITURES/REVENUES: (THOUSANDS OF DOLLARS)

OPERATING	FY 89	FY 90	FY 91	FY 92	FY 93	FY 94
Personal Services	5.1	10.1	0	0	0	0
Travel	10.5	10.5	0	0	0	0
Contractual	3.0	3.0	0	0	0	0
Supplies	0	0	0	0	0	0
Equipment	0	0	0	0	0	0
Land & Structures						
Grants, Claims						
Miscellaneous						
TOTAL OPERATING	*18.6	23.6	0	0	0	0

CAPITAL	0	0	0	0	0	0
---------	---	---	---	---	---	---

REVENUE	0	0	0	0	0	0
---------	---	---	---	---	---	---

FUNDING: (THOUSANDS OF DOLLARS)

General Fund	*18.6	23.6	0	0	0	0
Federal Fund						
Other						
TOTAL	*18.6	23.6	0	0	0	0

POSITIONS:

Full-Time	0	0	0	0	0	0
Part-Time	1	1	0	0	0	0
Temporary	0	0	0	0	0	0

ANALYSIS: (ATTACH A SEPARATE PAGE IF NECESSARY)

* FY 89 funding will be requested in the supplemental bill.

The Task Force on Guiding and Game was established under the jurisdiction of the Legislative Council Committee. This bill version will add 2 members to the Task Force and extend the termination date of the Task Force to Jan. 15, 1990. The Task Force will be composed of 15 members, 3 from the Executive Branch, 2 legislators from the Legislative Branch and 10 public members.

Prepared By: Pamela Stoops, Director

Pamela Stoops

Phone: 465-3850

Division: Administrative Services

Date: 3/8/89

Approved By: Warren Endicott, Executive Director

Warren Endicott

Agency: Legislative Affairs Agency

Date: 3/8/89

DISTRIBUTION (BY PREPARER)
LEGISLATIVE FINANCE
LEGISLATIVE SPONSOR

REQUESTOR
OFFICE OF MANAGEMENT & BUDGET
AGENCY (IES)

ADOPTED

CONTINUATION OF FISCAL ANALYSIS

It is assumed that travel funds for this task force will be paid as follows:

3 Executive Branch members - absorbed within existing executive branch departments.

2 Legislative Branch members - absorbed within existing Legislative Operating Budget or Session Expenses.

10 Public members - paid by Legislative Council funds as projected below.

Projected expenses for the Task Force on Guiding and Game are as follows:

	FY 89		FY 90
Personal Services - Staff for the Task Force:			
Secretary, Range 14, Step A--3 months 1/2 time	5,100	full-time	10,100
Travel- 2 trips @ 366 x 10 members	7,320		7,320
2 days per diem (\$80)			
2 trips x 10 members	3,200		3,200
Contractual- Advertising-Public Notices	<u>3,000</u>		<u>3,000</u>
	18,600		23,620

Supplies- Will come from existing Legislative Council and Legislative Operating supplies.

Equipment- Will come from existing Legislative Council and Legislative Operating equipment.

FY 89 costs are for one-half year.

FY 90 costs are for one-half year.

FISCAL NOTE

REQUEST:

Revision Date: _____ Agency Affected: Commerce & Economic Dev.
 Title: An Act providing for retro. exten. of the term. date of the Task Force on Guiding and Game... BRU: Occupational Licensing
 Sponsor: House Resources Committee Components: Administration and Licensing Boards
 Requestor: House Resources Committee

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 89	FY 90	FY 91	FY 92	FY 93	FY 94
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	0	0	0	0	0	0

CAPITAL	0	0	0	0	0	0
---------	---	---	---	---	---	---

REVENUE	0	0	0	0	0	0
---------	---	---	---	---	---	---

FUNDING: (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER						
TOTAL	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

ANALYSIS : (Attach a separate page if necessary)

Prepared by: Jennifer Strickler, Administrative Officer Phone: 465-2144
 Division: Occupational Licensing Date: March 6, 1989

Approved by Commissioner: Larry Mercurieff Date: 3/6/89
 Agency: Commerce and Economic Development

Distribution (by preparer):

- Legislative Finance
- Legislative Sponsor
- Requestor
- Office of Management and Budget
- Impacted Agency(ies)

RECEIVED
MAR 7 1989

Adopted

NOTE

FISCAL NOTE

REQUEST:

Revision Date: _____
 Title: Extension of Task Force on
Guiding and Game
 Sponsor: Resources Committee
 Requestor: Rep. Menard

Agency Affected: Fish and Game
 BRU: Wildlife Conservation
 Components: _____

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 89	FY 90	FY 91	FY 92	FY 93	FY 94
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	0	0	0	0	0	0

CAPITAL	0	0	0	0	0	0
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REVENUE						
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FUNDING: (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER						
TOTAL	0	0	0	0	0	0

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS : (Attach a separate page if necessary)

Prepared by: W. Lewis Pamplin, Jr., Director
 Division: Wildlife Conservation

Phone: 465-4190
 Date: 1/13/89

Approved by Commissioner: William J. Miller
 Agency: Fish and Game

Date: 2/15/89

Distribution (by preparer):

- Legislative Finance
- Legislative Sponsor
- Requestor
- Office of Management and Budget
- Impacted Agency(ies)

Adopted

1 IN THE HOUSE

BY THE FINANCE COMMITTEE

2 CS FOR HOUSE BILL NO. 113 (Finance)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 SIXTEENTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act providing for retroactive extension of the
7 termination date of the Task Force on Guiding and
8 Game; increasing the membership of the Task Force on
9 Guiding and Game; authorizing certain agencies to
10 assist the Task Force on Guiding and Game; and pro-
11 viding for an effective date."

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

13 * Section 1. Section 14(d), ch. 160, SLA 1988, is repealed and re-
14 enacted to read:

15 (d) The task force terminates on the earlier of

16 (1) January 15, 1990; or

17 (2) the date of enactment into law of

18 (A) a licensing system for hunting guides and other
19 persons who provide services to hunters for the purpose of facil-
20 itating the harvest of big game; and

21 (B) a management system for allocating rights of
22 access to big game to licensed guides.

23 * Sec. 2. Notwithstanding the qualifications for members of the Task
24 Force on Guiding and Game set out in sec. 14(a), ch. 160, SLA 1988, the
25 members of the task force on January 8, 1989, shall continue to serve until
26 they resign or the task force is terminated.

27 * Sec. 3. Notwithstanding the number and composition of the Task Force
28 on Guiding and Game set out in sec. 14(a), ch. 160, SLA 1988, the member-
29 ship of the task force is increased by two additional members appointed by

1 the governor. Of the two persons appointed to the task force under this
2 section, one person shall have expertise in research and analysis and, if
3 possible, particular knowledge in resource management or allocation systems
4 and may not have a financial interest in a business involving or related to
5 the commercial taking of game and one person shall represent Native village
6 landholders.

7 * Sec. 4. The Office of the Governor, office of management and budget,
8 division of policy and the legislature's House Research Agency and Senate
9 Advisory Council shall provide information, data, research, analysis, and
10 technical assistance to the task force, as requested by the task force, for
11 the purpose of developing a management system for allocating rights of
12 access to big game to licensed guides.

13 * Sec. 5. Sections 1 - 2 of this Act are retroactive to January 8,
14 1989.

15 * Sec. 6. This Act takes effect immediately under AS 01.10.070(c).
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STATE OF ALASKA
THE LEGISLATURE

LEGISLATIVE AFFAIRS AGENCY

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

*moved by Koponen
on 3/6/89*

MEMORANDUM

February 22, 1989

SUBJECT: Committee amendment to draft CS HB 113(Res)
TO: Representative Curt Menard
Attn: Johanna Munson
FROM: George Utermohle *GU*
Legislative Counsel

You have asked how I would have drafted the amendment to the draft CS HB 113(Res) adopted by the House Resources Committee.

I would have drafted the amendment to read as follows:

Page 2, lines 1 - 5, after "governor":

Delete all material.

Insert:

"Of the two persons appointed to the task force under this section, one person shall have expertise in research and analysis and, if possible, particular knowledge in resource management or allocation systems and may not have a financial interest in a business involving or related to the commercial taking of game and one person shall represent Native village landholders."

Please note that only the form of the amendment is changed in order to preserve clarity and consistency of style. The substance of the amendment would not be changed.

The amendment would look much different if the prohibition against a financial interest in the commercial taking of game also applied to the representative of Native village landholders.

*Koponen
moved to amend:
part 1
3/6/89*

Representative Curt Menard
Page 2
February 22, 1989

A copy of the amendment actually adopted by the committee is attached for comparison.

If I may be of further assistance, please advise.

GU:mi:kb
I3/086

Attachment

*Amended
JOINT DEPARTMENT POSITION PAPER ON HB 113

HB 113 provides for the continuation of the Legislative Task Force on Guiding and Game. Under this bill, the Task Force -- despite the requirements of SB 191 -- would continue with the same membership and terminate on the earlier of either January 15, 1991 or the date of enactment into law of two systems: one for the licensing of the state's big game commercial service providers and another for the management of game in order to allocate hunting rights to licensed guides (or guide-outfitters).

HB 113 reflects the recommendation of the Legislative Task Force on Guiding and Game, which included representatives from the Departments of Commerce and Economic Development, Fish and Game, and Public Safety, as well as the active (but nonvoting) participation of the Department of Law.

Because the recommendation to continue the Task Force generally reflects Administration policy, we will not reiterate here justification for the continuation that has already been addressed in the report of the Task Force. However, because we do quarrel with some provisions of HB 113, we wish to propose a number of amendments and discuss our reasons for the proposed changes.

First, however, we wish to emphasize our belief that the Owsichek decision has made it abundantly clear that the state must develop and put into place a game management system that is sensitive to the needs of Alaska's big game commercial services industry. We support in full the Task Force's conclusion that a method for the commercial allocation of our wildlife resource is vital and needs to be established. Without the assurance of a commercial allocation, the resultant instability and negative national and international publicity will deal a significant blow to Alaska's world famous and highly respected big game industry.

Nevertheless, the state remains anxious over the nature of the management system contemplated by a number of the members of the Task Force. Any attempt to create a management scheme that parallels the former guide area system declared unconstitutional by the Alaska Supreme Court in Owsichek will only delay and otherwise obstruct progress toward a viable management system that must meet these identified needs:

1. ensure a commercial allocation;
2. provide a measure of economic stability;
3. provide for wildlife management on a statewide basis.

Therefore, while we believe the present members of the Task Force deserve praise for their work to date, we are concerned that the goals they have set for themselves vis a vis creation of a resource-based management system are potentially beyond the immediate expertise of those members. Please recall that the present members were appointed with a specific task in mind: consideration of appropriate regulation for persons involved in the commercial taking of game in Alaska. It was the effects of the Owsichek decision which greatly expanded the Task Force's role and made consideration of a management system a must. Besides the very

obvious constraints on its time, unfamiliarity may also explain why the management system was not fully addressed by the Task Force.

Our first proposed amendment to HB 113, then, is that two additional members be added to the Task Force, to be appointed by the Governor, neither of whom may have financial interest in any business involving or related to the commercial taking of game, and who have recognized expertise in research and analysis with, if possible, particular knowledge in resource management or allocation systems.

Our second amendment proposes specific language mandating that the staff of a number of specifically identified entities be required to provide information, data, research, analysis, and technical assistance to the Task Force.

Attached are draft amendments to HB 113 accomplishing the proposals outlined above. We urge their consideration.

Finally, please hear our concern for the time it will take to successfully and competently meet the requirements of HB 113. We do not believe a comprehensive and thorough analysis of the complexities involved in establishing a game management system that provides for a commercial allocation acceptable to all state, federal, and private land owners in Alaska will be easily accomplished. We expect it, in fact, to be very hard but important work.

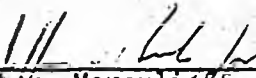
There has been some concern expressed that the management system must be in place when -- and if -- the licensing scheme envisioned in HB 112 is enacted. We do not believe this needs be the case. First, to rush establishment of the management system may doom it to mediocrity. Second, unless we can demonstrate that the system is fair, well thought-out, and reasonable, we anticipate that federal (and private) land owners will reject the plan outright, chilling any hope of creating an integrated management system that will apply statewide.

Third, while the Board of Game is legitimately concerned for the potential impact of additional registered guides being able to conduct hunts in areas previously not available to them, we believe passage of HB 112, with its licensing scheme intact, will go far in curtailing unregulated commercial hunts until the management system is in place. Under HB 112, only outfitters able to meet the requirements of the bill's transition provisions will be able to provide commercial big game hunting services directly to hunters. This appears to be less than 50 people. And only air and boat operators with proper FAA and Coast Guard licenses will be able to transport hunters into the field. We believe this will also significantly reduce pressure on the game.

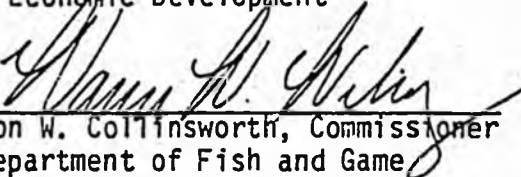
We believe there are sufficient protections in HB 112 to give the Task Force the time it needs to develop a quality management system without Alaska's big game resource suffering from overharvesting in the interim.

* * *

We support passage of HB 113 and urge consideration of our proposed amendments.


Larry Mercuri, Commissioner
Department of Commerce &
Economic Development

2/14/89
Date


Don W. Collinsworth, Commissioner
Department of Fish and Game

2/15/89
Date


Lennie Boston-Gorsuch, Commissioner
Department of Natural Resources

2/14/89
Date


Arthur English, Commissioner
Department of Public Safety

2-14-89
Date

RB/cw9380c
21389c

PROPOSED AMENDMENTS TO HB 113

Amend HB 113 by adding a new section to read:

*Sec. 3. Notwithstanding the number and composition of members of the Task Force on Guiding and Game set out in Sec. 14(a), ch. 160, SLA 1988, two additional members will be added to the Task Force, to be appointed by the Governor, neither of whom may have a financial interest in any business involving or related to the commercial taking of game, who shall have expertise in research and analysis and, if possible, particular knowledge in resource management or allocation systems.

Amend HB 113 by adding a new section to read:

*Sec. 4. In addition to the departments represented on the Task Force, the staff of the Legislature's House Research Agency and Senate Advisory Council and the Governor's Division of Policy shall provide information, data, research, analysis and technical assistance to the Task Force, as requested by the Task Force, for the purpose of developing the statewide game management system described in Section 14(d)(2)(B) of ch. 160, SLA 1988.

Amend HB 113 as follows:

*Sec. 5 [SEC. 3]. Sections 1 - 5 of this Act are retroactive to January 8, 1989.

*Sec. 6 [SEC. 4]. This Act takes effect immediately under AS 01.10.070(c).

RB/cw9379c
21289b

See Transportation CE, Sec. 3 thru Sec 6.

FISCAL NOTE

REQUEST:

Revision Date: _____
Title: An Act providing for retroactive extension of the termination date of the Task...
Sponsor: House Resources
Requestor: House Resources

Affect Agency Legislative Affairs Agency
BRU: Legislative Council
Components Council & Subcommittees

EXPENDITURES/REVENUES: (THOUSANDS OF DOLLARS)

OPERATING	FY 89	FY 90	FY 91	FY 92	FY 93	FY 94
Personal Services	10.1	10.1	0	0	0	0
Travel	10.5	10.5	0	0	0	0
Contractual	3.4	3.4	0	0	0	0
Supplies	0	0	0	0	0	0
Equipment	0	0	0	0	0	0
Land & Structures						
Grants, Claims						
Miscellaneous						
TOTAL OPERATING	24.0	24.0	0	0	0	0

CAPITAL	0	0	0	0	0	0
---------	---	---	---	---	---	---

REVENUE	0	0	0	0	0	0
---------	---	---	---	---	---	---

FUNDING: (THOUSANDS OF DOLLARS)

General Fund	24.0	24.0	0	0	0	0
Federal Fund						
Other						
TOTAL	24.0	24.0	0	0	0	0

POSITIONS:

Full-Time	0	0	0	0	0	0
Part-Time	1	1	0	0	0	0
Temporary	0	0	0	0	0	0

ANALYSIS: (ATTACH A SEPARATE PAGE IF NECESSARY)

The Task Force on Guiding and Game was established under the jurisdiction of the Legislative Council Committee. This bill version will add 2 members to the Task Force and extend the termination date of the Task Force to Jan. 15, 1990. The Task Force will be composed of 15 members, 3 from the Executive Branch, 2 legislators from the Legislative Branch and 10 public members.

Prepared By: Pamela Stoops, Director
Division: Administrative Services

Pamela Stoops

Phone: 465-3850
Date: 2/16/89

Approved By: Warren Endicott, Executive Director
Agency: Legislative Affairs Agency

Warren H. Endicott

Date: 2/16/89

DISTRIBUTION (BY PREPARER)
LEGISLATIVE FINANCE
LEGISLATIVE SPONSOR

REQUESTOR
OFFICE OF MANAGEMENT & BUDGET
AGENCY (IES)

CONTINUATION OF FISCAL ANALYSIS

It is assumed that travel funds for this task force will be paid as follows:

3 Executive Branch members - absorbed within existing executive branch departments.

2 Legislative Branch members - absorbed within existing Legislative Operating Budget or Session Expenses.

10 Public members - paid by Legislative Council funds as projected below.

Projected expenses for the Task Force on Guiding and Game are as follows:

Personal Services - Staff for the Task Force: Secretary, Range 14, Step A	
3 months full-time--	10,100
Travel- 2 trips @ 366 x 10 members	7,320
2 days per diem (\$80)	
2 trips x 10 members	3,200
Contractual- Transcription of meetings	360
Advertising-Public Notices	3,000
	<hr/>
	23,980

Supplies- Will come from existing Legislative Council and Legislative Operating supplies.

Equipment- Will come from existing Legislative Council and Legislative Operating equipment.

FY 89 costs are for one-half year.

FY 90 costs are for one-half year.



Alaska State Legislature

HOUSE OF REPRESENTATIVES
COMMITTEE ON RESOURCES

FOUCH V
JUNEAU, ALASKA 99811
(907) 488-3718

Letter of Intent

For

HCS CS SB 139 (Res)

It is the intent of the legislature that the task force established under the provisions of SB 139 shall consider the implications of the Owsichuk decision issued by the Alaska Supreme Court on October 21, 1988 when developing the resource-based management system for allocating big game hunting opportunities among guide-outfitters.

It is the intent of the legislature that the foremost purpose of any management system should be the conservation of game resources. Any system that places restrictions on free market competition between guides must be based on clear findings that such restrictions are needed to prevent harmful impacts on game populations that cannot be prevented through licensing requirements, bag limits, seasonal restrictions, or other traditional game management tools that are now available to the state.

Without a constitutional amendment, a system would have to provide the broad access guaranteed by the common use clause of the constitution. The system would have to have access rights that are limited in duration, and the system would have to provide equal opportunity to all qualified guides when these rights are reassigned. In order to prevent the development of non-uniform policies by various federal, state, and private landowners, the system should have statewide applicability.

HB

114

SENATE COMMITTEE REPORT

FURTHER

3/31/89

DATE TURNED INTO OFFICE 4/7/89

Mr. President:

Finance

Committee considered HB 114

examination of regulations and of opinions and decisions issued by courts and agencies on the law of the state and recommended

- replace with _____ CS _____) same title
- or adopt _____ CS _____) new title
- attached amendment(s) and technical title change (HB only)
- _____ letter of intent adopted

- do pass
- do not pass
- no recommendation
- individual recommendations
- further referral to _____

FISCAL NOTE(S) zero fiscal impact appropriation no FN
 new LAA updated previous
 same as previous fiscal note(s) published _____

MEMBERS SIGNING DO PASS

OTHER RECOMMENDATIONS

[Handwritten signatures]

That no rec
True I leave - do not pass
still
Pat Kelly (No Rec)
Pat Kelly

Chairman signature and recommendation

Committee Backup attached

1 IN THE HOUSE

BY THE JUDICIARY COMMITTEE

2

HOUSE BILL NO. 114

3

IN THE LEGISLATURE OF THE STATE OF ALASKA

4

SIXTEENTH LEGISLATURE - FIRST SESSION

5

A BILL

6

For an Act entitled: "An Act relating to the examination of regulations
and of opinions and decisions issued by courts and
agencies on the law of the state."

7

8

9

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

10

* Section 1. AS 24.20.065(a) is amended to read:

11

(a) The legislative council shall annually examine

12

administrative regulations, published opinions of state and federal

13

courts and of the Department of Law [THAT RELY ON STATE STATUTES], and

14

final decisions adopted under the Administrative Procedure Act

15

(AS 44.62) that rely on state statutes or the common law of the state

16

to determine if [WHETHER OR NOT]

17

(1) the courts and agencies are properly implementing

18

legislative purposes;

19

(2) there are court or agency expressions of dissatisfaction

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with state statutes or the common law of the state;

21

(3) the opinions, decisions, or regulations indicate un-

22

clear or ambiguous statutes;

23

(4) the courts have modified or revised the common law of

24

the state.

FISCAL NOTE

Adopted

REQUEST:

Revision Date: _____
Title: An Act relating to the examination of regulations and of opinions and decisions...
Sponsor: House Judiciary
Requestor: Senate Finance

Affect Agency Legislative Affairs Agency
BRU: Legislative Council BRU
Components Legal Services

EXPENDITURES/REVENUES: (THOUSANDS OF DOLLARS)

OPERATING	FY 89	FY 90	FY 91	FY 92	FY 93	FY 94
Personal Services	0	0	0	0	0	0
Travel	0	0	0	0	0	0
Contractual	0	0	0	0	0	0
Supplies	0	0	0	0	0	0
Equipment	0	0	0	0	0	0
Land & Structures						
Grants, Claims						
Miscellaneous						
TOTAL OPERATING	0	0	0	0	0	0

CAPITAL	0	0	0	0	0	0
----------------	----------	----------	----------	----------	----------	----------

REVENUE	0	0	0	0	0	0
----------------	----------	----------	----------	----------	----------	----------

FUNDING: (THOUSANDS OF DOLLARS)

General Fund	0	0	0	0	0	0
Federal Fund						
Other						
TOTAL	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

ANALYSIS: (ATTACH A SEPARATE PAGE IF NECESSARY)

Zero fiscal impact.

Prepared By: Pamela Stoops, Director
Division: Administrative Services

Pamela Stoops

Phone: 465-3850
Date: 4/10/89

Approved By: Warren Endicott, Executive Director
Agency: Legislative Affairs Agency

Warren Endicott

Date: 4/10/89

DISTRIBUTION (BY PREPARER)
LEGISLATIVE FINANCE
LEGISLATIVE SPONSOR

REQUESTOR
OFFICE OF MANAGEMENT & BUDGET
AGENCY (IES)

ИИ

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8

HOUSE COMMITTEE REPORT

(11)

Date Referred: March 3, 1989

FURTHER REFERRALS:

Date of Committee Action: 3/20/89

The FINANCE Committee considered:

HB 118

HOUSE BILL NO. 118 [OIL & GAS PROPERTIES PRODUCTION TAX -ELF]
"An Act relating to the oil and gas properties production tax."

RECOMMENDATIONS:

- be replaced with CS HB 118 (Res) the same title
- a new title
- have attached amendment(s)
- do pass
- do not pass
- no recommendation
- individual recommendations
- additional referral to the _____ Committee

ADOPTS: _____ letter of intent

ATTACHES NEW FISCAL NOTE(s):
(Dept)

APPROVES PREVIOUS:

(Date/Dept)

- fiscal impact _____ fiscal note(s) _____
- zero fiscal note _____ zero fiscal note(s) _____
- zero with analysis _____ zero fn/analysis _____

SIGNING DO PASS:

SIGNING:

(Check approp. column)

	Do Not Pass	No Rec	Amend
<u>Dick Stuntz</u>	<input checked="" type="checkbox"/>		
<u>John King</u>	<input checked="" type="checkbox"/>		
<u>EDWARD J. JACOBI, D. Not Pass</u>	<input checked="" type="checkbox"/>		
<u>Ronald J. J...</u>		<input checked="" type="checkbox"/>	

Ronald J. J...

 Chairman's signature

FISCAL NOTE

REQUEST:

Revision Date: March 7, 1989 Agency Affected: Department of Revenue
 Title: Oil & gas properties production tax - ELF; providing an effective date BRU: Oil & Gas Audit Division
 Sponsor: House Finance Committee Components: _____
 Requestor: House Resources

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 89	FY 90	FY 91	FY 92	FY 93	FY 94
OPERATING						
PERSONAL SERVICES	0	0	0	0	0	0
TRAVEL	0	0	0	0	0	0
CONTRACTUAL	0	0	0	0	0	0
SUPPLIES	0	0	0	0	0	0
EQUIPMENT	0	0	0	0	0	0
LANDS & STRUCTURES	0	0	0	0	0	0
GRANTS, CLAIMS	0	0	0	0	0	0
MISCELLANEOUS	0	0	0	0	0	0
TOTAL OPERATING	0	0	0	0	0	0
CAPITAL	0	0	0	0	0	0
REVENUE	49,000	126,000	144,000	163,000	187,000	180,000

FUNDING: (Thousands of Dollars)

GENERAL FUND	0	0	0	0	0	0
FEDERAL FUNDS	0	0	0	0	0	0
OTHER	0	0	0	0	0	0
TOTAL	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

ANALYSIS: See attached page for analysis.

Prepared By: Roger Marks Phone: 277-5627
 Division: Dept. of Revenue, Oil & Gas Audit Division Date: March 7, 1989

Approved by Commissioner: Hugh Malone Date: 3/8/89
 Agency: Department of Revenue

Distribution (by preparer):
 Legislative Finance
 Legislative Sponsor
 Requestor
 Office of Management and Budget
 Impacted Agency(ies)

Adopted

Fiscal Analysis of HB 118

This bill modifies the economic limit factor (ELF) formula used in computing the production (severance) tax on oil.

The bill (1) introduces the rate of field production into the exponent of the current ELF formula; (2) repeals the so-called "rounding rule," the provision of current law which states that for any month during the first 10 years of commercial oil production for which the computed ELF of a lease or property exceeds 0.7 the ELF shall be considered to be one; and (3) fixes the production at the economic limit (PEL) at 300 barrels times the number of well days in the month.

This bill is retroactive to January 1, 1989, and applies to oil produced after December 31, 1988. Because the severance tax on oil for a given month is due during the following month, a tax change which takes effect on January 1 would not affect revenues until February. Depending on the actual passage date of the bill, the FY 89 amounts may not be actually collected until FY 90.

This fiscal note was calculated using the oil price and production assumptions of the Department of Revenue's Fall 1988 Petroleum Production Revenue Forecast mid-case scenario updated for actual data through November of 1988. That forecast was predicated on Alaska North Slope crude prices at the U.S. Gulf of \$13.25 a barrel in FY 89 and \$12.89 a barrel in FY 90. ^{1/}

Additional revenues for future years in millions of dollars are as follows:

1995	174
1996	169
1997	163
1998	153
1999	152
2000	144
2001	136
2002	129
2003	117
2004	110
2005	104
2006	91
2007	80
2008	60
2009	45
2010	19

^{1/} Had the fiscal note used the oil price and volume assumptions of the "Consensus Revenue Analysis" of January 24, 1989, the FY 89 fiscal impact would be \$56 million, and the FY 90 fiscal impact would be \$132 million. That analysis was predicated on Gulf ANS prices of \$14.07/bbl in FY 89 and \$14.30/bbl in FY 90.

Date: March 1, 1989

Price/Revenue Sensitivity Matrix - HB 118
(Millions of \$)

ANS @ US Gulf (\$/bbl)	Fiscal Year					
	1989	1990	1991	1992	1993	1994
10.35	28	89	89	97	100	96
12.70	42	113	114	123	135	129
15.00	56	149	149	159	170	160
17.35	70	185	186	196	208	196
19.70	84	216	218	230	243	216
22.00	98	251	254	278	273	239

Assumptions:

1. Production and well assumptions from Department of Revenue mid scenario Fall 1988 forecast.
2. HB 118 effective date January 1, 1989.
3. The variation in revenue between years is a function of a number of factors, including:
 - A. The changing relative tax rates under the current ELF and HB 118.
 - B. The effect of price on production levels. (e.g. West Sak economic at \$18/bbl.)
 - C. The effect of changing production and wells on ELF under either formula.

Original sponsor: Finance Committee

1 IN THE HOUSE BY THE RESOURCES COMMITTEE

2 CS FOR HOUSE BILL NO. 118 (Resources)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 SIXTEENTH LEGISLATURE - FIRST SESSION

5 A BILL

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

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

9 * Section 1. AS 43.55.013(b) is repealed and reenacted to read:

10 (b) The economic limit factor for oil production of a lease or
11 property shall be computed according to the following formula:

12 $(1 - [PEL/TP]) \exp ([150,000 / (TP/Days)]) \exp [(460 \times WD) / PEL]$

13 where: PEL = the monthly production rate at the economic limit;

14 TP = the total production during the month for which the
15 tax is to be paid;

16 WD = the total number of well days in the month for which
17 the tax is to be paid;

18 Days = the number of days in the month for which the tax is
19 to be paid; and

20 exp = exponent.

21 * Sec. 2. AS 43.55.013(d) is repealed and reenacted to read:

22 (d) The monthly production rate at the economic limit for a
23 lease or property is 300 barrels times the number of well days for the
24 lease or property during the month for which the tax is to be paid.

25 * Sec. 3. AS 43.55.013(e) and 43.55.013(f) are repealed.

26 * Sec. 4. RETROACTIVE APPLICATION. This Act is retroactive to
27 January 1, 1989, and applies to oil produced after December 31, 1988.

28 * Sec. 5. ALTERNATIVE RETROACTIVE APPLICATION DATES. (a) If a court
29 makes a final determination that retroactive application under sec. 4 of

HOUSE BILL 118, "An act relating to the oil and gas properties production tax; and providing for an effective date."

Original Sponsor: Finance Committee

House Bill 118, originally introduced by the House Finance Committee, would amend the current ELF formula to provide additional revenues to the state general fund. HB 118 is similar to HB 164 which was introduced in 1987 and subsequently passed the House but died in the Senate.

The House Resource Substitute currently before us, has amended the original HB 118 by providing a retroactive application of the revised ELF to January 1, 1989, and also restructuring ELF to effectively allow an increase in severance tax on more productive fields like Prudhoe Bay and Kuparuk, but provides a reduction in severance tax for the smaller, less productive fields.

Finance Committee members should have been provided with a black ELF binder with briefing material. Hopefully, this will compliment the information found in your regular briefing packet.

United Brotherhood of Carpenters and Joiners of America

RECEIVED MAR 13 1989

LOCAL UNION NO. 1243



Farthest North Local in the World

DON K. SWARNER
Business Representative
Financial Secretary-Treasurer

907 452-5388
907 452-3802

315 FIFTH AVENUE
P.O. BOX 347
FAIRBANKS, ALASKA
99707

A RESOLUTION URGING THE ALASKA STATE LEGISLATURE TO
REVIEW AND ADOPT HB 118 AN ACT
RELATING TO THE OIL AND GAS PROPERTIES PRODUCTION TAX

WHEREAS, the Economic Limit Factor (ELF) as enacted by the Alaska State Legislature in 1981 was intended to promote continued development of marginal oil fields; and

WHEREAS, unbeknownst to legislators in 1981, both the Prudhoe Bay and Kuparuk Oil Fields are in no sense of the word marginal fields; and

WHEREAS, the application of the Economic Limit Factor (ELF) actually discourages oil production at a truly marginal field such as Milne Point; and

WHEREAS, the people of the State of Alaska own the oil resources of the State and should be fairly & equitably compensated for their extraction; and

WHEREAS, the economic conditions in Alaska do not warrant a tax break for the oil companies; and

Whereas, the Alaskan work force is not receiving its fair share of employment in the development of their oil and gas resources;

THEREFORE, be it resolved that Local Union 1243 of the United Brotherhood of Carpenters and Joiners of America urges the Alaska State Legislature to complete its review of HB 118 and to bring this bill to the floor and furthermore, we urge its adoption.

UNANIMOUSLY passed this 28th day of February, 1989 by the General Membership.

Murray S. Baldwin
Murray Baldwin
President

Don K. Swarner
Don Swarner
Business Representative
Financial Secretary/Treasurer

TESTIMONY OF E. H. PETE NELSON
TEXACO USA
BEFORE THE HOUSE FINANCE COMMITTEE
CONCERNING ELF MODIFICATIONS (HB 118)

MARCH 15, 1989

GOOD AFTERNOON. MY NAME IS ETHEL H. "PETE" NELSON. I AM THE SENIOR LAND REPRESENTATIVE FOR TEXACO USA.

TEXACO APPRECIATES THE OPPORTUNITY TO COMMENT TODAY ON HB 118 WHICH WOULD REVISE THE ECONOMIC LIMIT FACTOR WHICH WOULD IN EFFECT SUBSTANTIALLY INCREASE TAXES ON THE PETROLEUM INDUSTRY.

WHILE WE CAN APPRECIATE THE FACT THAT STATE GOVERNMENT HAS BEEN HIT HARD BY THE DECLINE IN OIL PRICES OVER THE PAST THREE YEARS, THE INDUSTRY WAS HIT EVEN HARDER. THE DIFFERENCE IS, INDUSTRY HAS TAKEN THE NECESSARY STEPS TO COUNTER THE ADVERSE AFFECTS OF LOW OIL PRICES. WE HAVE RESTRUCTURED AND STREAMLINED OUR OPERATION TO REDUCE OPERATING COSTS.

THE OIL INDUSTRY IS NOT THE ONLY SEGMENT OF THE ECONOMY AFFECTED BY DECLINING OIL PRICES. ALASKAN BUSINESSES SUCH AS CONSTRUCTION COMPANIES, GROCERY STORES, RESTAURANTS, HOTELS AND SCORES OF OTHERS HAVE HAD TO BITE THE BULLET AND SCALE DOWN OPERATING COSTS IN ORDER TO SURVIVE.

THIS IS NOT THE TIME TO FURTHER BURDEN INDUSTRY WITH INCREASED TAXES. THE PRICE OF OIL HAS INCREASED SLIGHTLY IN THE PAST FEW MONTHS, SHAKY AS IT IS. AS A RESULT, WE HAVE SEEN A SLIGHT INCREASE IN EXPLORATION AND DEVELOPMENT THIS WINTER, WHICH HAS INCREASED THE NUMBER OF JOBS AVAILABLE, WHICH HAS

INCREASED THE AMOUNT OF PRIVATE SECTOR SPENDING, WHICH HAS IMPROVED THE GENERAL ECONOMY OF THE STATE.

THE PASSAGE OF HB 118 WOULD SIGNIFICANTLY INCREASE INDUSTRY'S OIL AND GAS TAX BURDEN AND CAUSE A DECLINE IN EXPLORATION AND DEVELOPMENT ACTIVITIES IN ALASKA.

INDUSTRY'S MANAGEMENT SIMPLY IS NOT GOING TO LOOK FAVORABLY AT REQUESTS FOR EXPLORATION DOLLARS FOR ALASKA WHEN THEY ARE ALSO CONSIDERING REQUESTS FOR EXPLORATION DOLLARS FOR STATES WHICH ARE OFFERING INCENTIVES RATHER THAN DETERRENTS TO OIL AND GAS EXPLORATION (WYOMING & LOUISIANA).

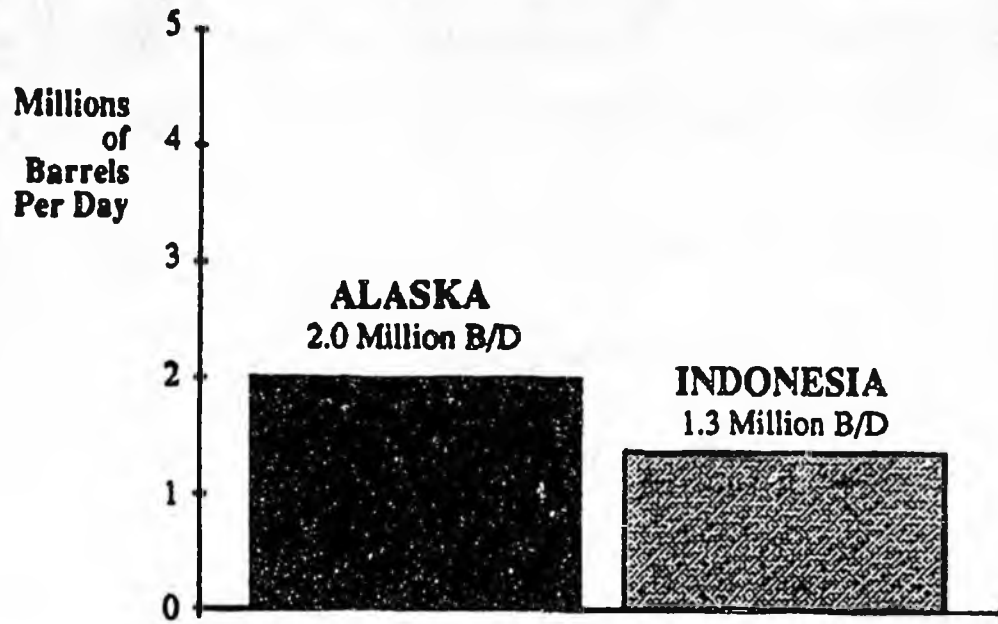
IN CONCLUSION, TEXACO OPPOSES THE PROPOSED MODIFICATIONS TO THE ECONOMIC LIMIT FACTOR AND URGES YOU TO NOT PASS HB 118.

AGAIN, WE THANK YOU FOR THE OPPORTUNITY TO SHARE THESE VIEWS WITH YOU TODAY.

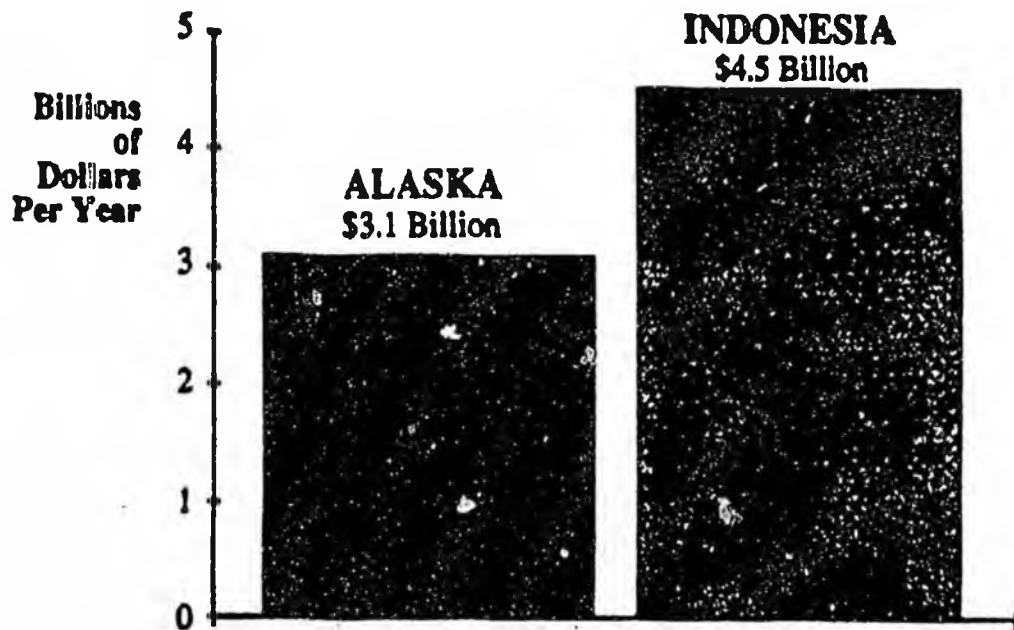
P7/130

PRODUCTION

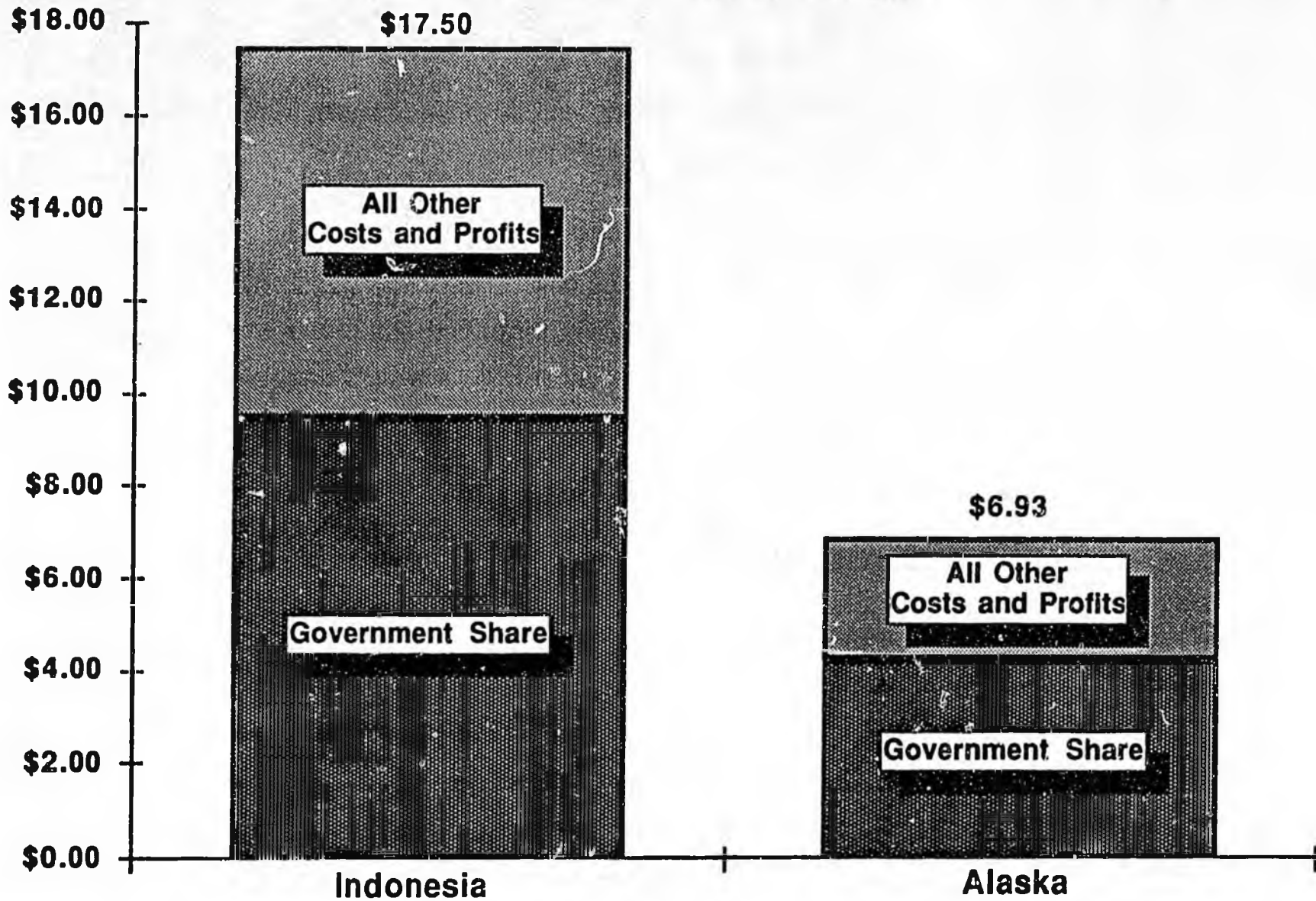
(Calendar Year 1987)



GOVERNMENT REVENUE



Administration's Indonesia Comparison On a Dollar per Barrel Basis



Note: Refer to Administration's testimony; (\$3.1 Billion+2.0 MMBPD, compared to the ADOR wellhead value)

ADDITIONAL BENEFITS OF ANS OIL

ANS producers receive profits from Alaska oil outside of Alaska which provides an additional bonus beyond what it would cost if they had to purchase imported oil. An additional profit of approximately \$0.7 billion went to the producers through the operation of the U.S. Department of Energy crude oil entitlements program. Producers are believed to earn additional profit through the refining of ANS crude because, among other things, they have access to a secure source of crude oil. If they did not have the ANS crude, it would be necessary for them to acquire crude from foreign sources.

Others estimate that profits on tanker operations and trans-Panama shipment activities added between \$.25 and \$1.00 profit per barrel of ANS crude produced. These additional profits would have been received on the nearly 6 billion barrels of ANS production. These added profits are not included in the \$42.6 billion of total oil industry profit in Alaska covered in this report.

INVESTMENTS MADE ON THE ALASKA NORTH SLOPE

Figure 9 shows the relative amounts of money invested in projects to produce ANS crude. The greatest investment was \$9.4 billion in TAPS. The total investment to date in Prudhoe Bay was \$8.7 billion. This includes the waterflood project and the miscible gas injection project as well as infield drilling. The investment in Kuparuk was \$4.3 billion which includes amounts for the newly installed waterflood project that had not been in operation during the period of this study. Milne Point cost \$575 million. Endicott and Lisburne each cost approximately one billion dollars. As of the end of 1987, Milne Point had been shut in, while Endicott and Lisburne had just begun operations too recently to have a significant impact on the revenue numbers reported here. The investments made in Cook Inlet during this period were not significant relative to the ANS investments during this period.

14.2

3.5

These rates of return compare to the long run rate of return on the New York Stock Exchange of 10% before tax. [Wall Street Journal (February 20, 1989)] The prime rate peaked at 21.5% before tax in 1982, but that was an exceptional year. During this period, a prime rate of 10% to 18% before tax was more typical. Using an average effective tax rate of 36%, which approximates the tax rate observed in this study, the equivalent after-tax return on the New York Stock Exchange is 6.4%. The equivalent peak prime rate after an effective tax rate of 36% is 13.76%.

Reinvestment of Alaska Cash Flows. Subsequent to the initial investment for Prudhoe Bay field and TAPS, the industry invested \$15.8 billion for ANS development and exploration throughout Alaska from 1978 through 1987. This includes \$3.9 billion in exploration expenses which are not included in the analyses of profits from individual fields. The reinvestment rate has been 27.8% of cash flows received during this period.

Seventy-five sources of data about Alaska oil operations were researched to develop this report. Although details do not exist on each and every data item, the information available in the references is sufficient to develop a reasonably accurate picture of industry profit. A study of the data suggests that the actual profit number could be as low as \$41 billion or as high as \$47 billion. The estimate reported here is at the conservative end of this range.

**Representative Rate of Return Data
Historical Actuals for Standard & Poor's 500 Portfolio**

for Periods ending 12-31-87

	Cumulative Return	Average Annual Return
3 Years	+64.3%	+18.0%
5 Years	+113.7%	+16.4%
10 Years	+312.7%	+15.2%

Figure 9
ANS Investments
(billions of dollars)

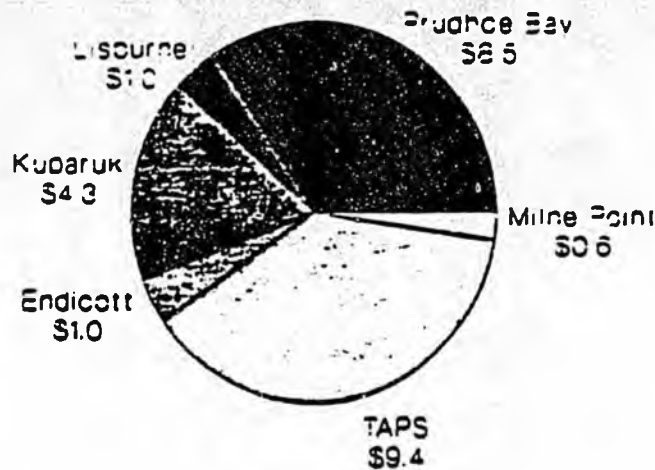


Table 10 shows the timing of the investments in Prudhoe Bay and other ANS projects together with an estimate of the timing of the investment in TAPS. These investment timings are based on information from the producers and may not be exact.

Table 10
ANS Investments
(millions of dollars)

Year	Project	Amount
1987	Prudhoe gas	\$ 720
1987	Kuparuk waterflood	900
1987	Endicott	1,000
1986	Lisburne	1,000
1985	Prudhoe gas plant	720
1984	Milne Point	570
1983	Prudhoe waterflood	2,000
1981	Kuparuk	3,400
1981	Prudhoe drilling	1,100
1980	Prudhoe drilling	250
1979	Prudhoe drilling	250
1977	Prudhoe*	1,850
1977	TAPS*	4,700
1976	Prudhoe*	1,850
1976	TAPS*	4,700
Total		\$ 25,015

1960 - 1988

45.7

*These amounts were spent over the period 1969 through 1977, with the majority of the funds spent later in the construction phase of the project.

**ADMINISTRATION PRESENTATION ON HOUSE BILL 118--
LEGISLATION REVISING THE ECONOMIC LIMIT FACTOR (ELF)
HOUSE RESOURCES COMMITTEE
FEBRUARY 9-10, 1989**

Thursday, February 9, 1989

**I. INTRODUCTION TO ALASKA'S OIL REVENUES
AND TAXATION**

A. Overview

B. Alaska's Oil Revenues

1. Severance Tax
2. Income Tax
3. Property Tax
4. Royalties

C. The Severance Tax and the ELF

1. Importance of Severance
Tax to Alaska's Revenues
2. Definition of ELF
3. Application of ELF to Produce
Effective Tax Rate

II. HISTORY OF ELF

A. 1977 Creation

B. 1981 Oil Tax Changes

1. Income Tax
2. Severance Tax
3. Comments of Policymakers

C. 1987 --End of suspension on Prudhoe Bay

III. HB 118

IV. ELF'S EFFECTS ON ALASKA FIELDS

A. Fields Where ELF Will Increase Under HB 118

1. Prudhoe Bay
2. Kuparuk

**B. Marginal Fields -- Fields Where ELF Will Decrease
Or Remain at Zero Under HB 118**

1. Endicott
2. Lisburne
3. Cook Inlet
4. West Sak
5. Niakuk
6. Milne Point
7. Point Thomson
8. Seal Island

V. THE ELF AND ALASKA'S REVENUES

A. Marginal Fields -- Tax Savings for Oil Producers

**B. Large, High-Profit Fields of Prudhoe Bay and Kuparuk --
Increased Revenues for the State**

Friday, February 10, 1989

VI. PROFITS AND RE-INVESTMENT OF
THE OIL INDUSTRY IN ALASKA

VII. COMPARISON OF GOVERNMENT REVENUE
FROM OIL PRODUCTION BETWEEN ALASKA
AND OTHER OIL-PRODUCING AREAS

VIII. EFFECTS OF CHANGING ELF ON JOBS FOR
ALASKANS

IX. EFFECTS ON CHANGING ELF ON PRODUCTION

X. WAS THERE A DEAL IN 1981?

XI. WAS THERE A DEAL IN 1987?

ADMINISTRATION TESTIMONY ON HB 118

BRIEFING MATERIALS

HB 118
Modifying the ELF

Briefing materials provided to the:

Alaska State House of Representatives
Resources Committee
Rep. Cliff Davidson, Co-Chairman

Office of the Governor
Division of Policy
February 10, 1989

"The session of the 15th Territorial Legislature just concluded brings out more clearly than ever the basic issue that confronts the people of Alaska. That issue is whether Alaska shall be built up for Alaskans..., or whether it shall continue to be governed for and by outside interests whose sole concern is to take out of Alaska as much as they can, as fast as they can, and leave as little as possible."

*Governor Ernest Gruening
Message to the people of Alaska
March 28, 1941*

"We must have stable tax policies in order to make the risks associated with marginal fields worth taking."

Mr. George Nelson
Sohio Alaska Petroleum Company
as quoted in the Alaska Journal of Commerce and Pacific Rim Reporter
March 11, 1985

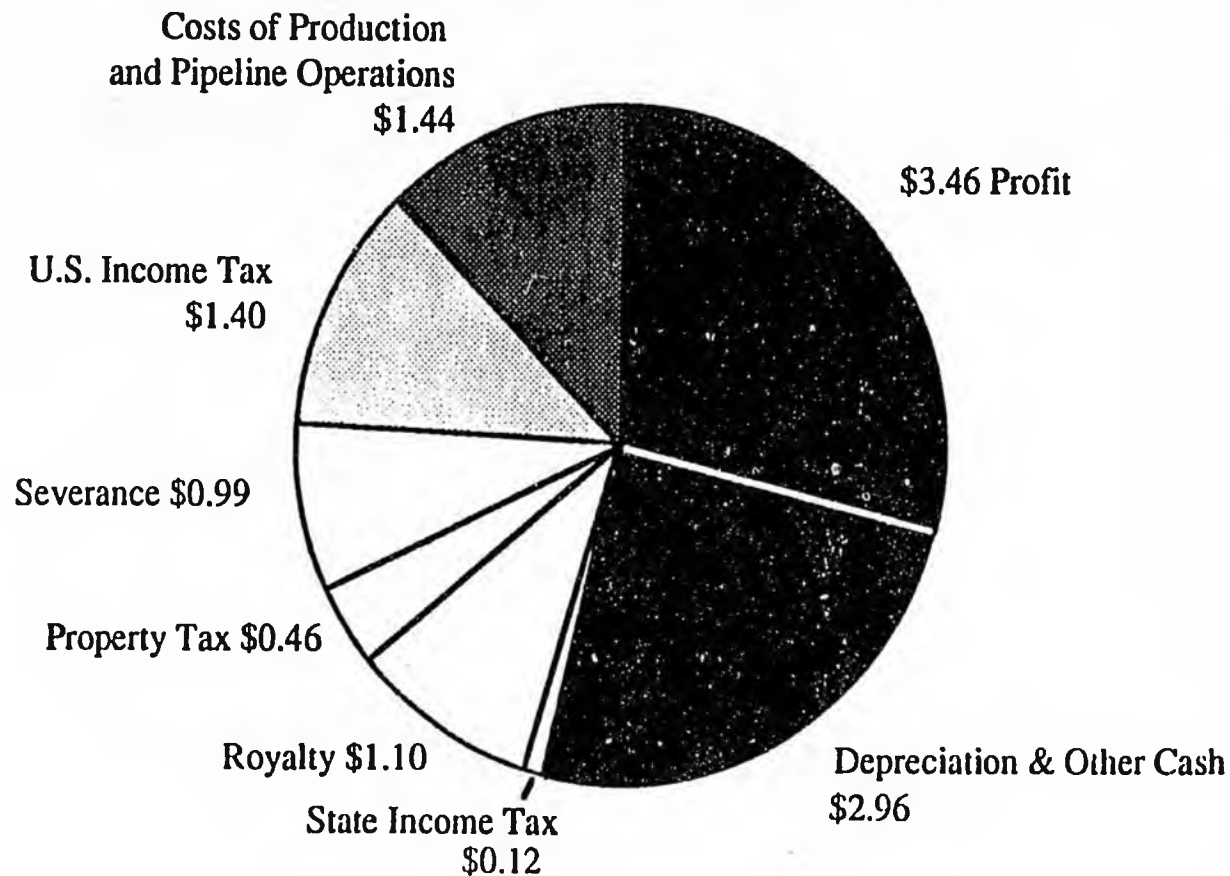
"The state must provide an investment climate that will encourage oil companies and other businesses to develop new ventures....[S]maller fields already have been discovered on the North Slope. But they are marginal fields...."

ARCO Alaska Inc.
newspaper advertisement
Alaska Journal of Commerce and Pacific Rim Reporter
October 14, 1985

Chart 1

In February 1988, A Barrel of Oil at Valdez Was Worth \$11.93.

This is how the \$11.93 Was Divided:



"[A]s my profit decreases I have less money to invest....But what is a reality and what you need to understand is that the amount of money I have to spend affects the pace at which things happen. And the pace at which things happen, in terms of employment, means the Alaskan economy. If we slow down our investment pattern because of a lack of funds, because of discouragement of investment in Alaska...that has an effect on the economy of Alaska."

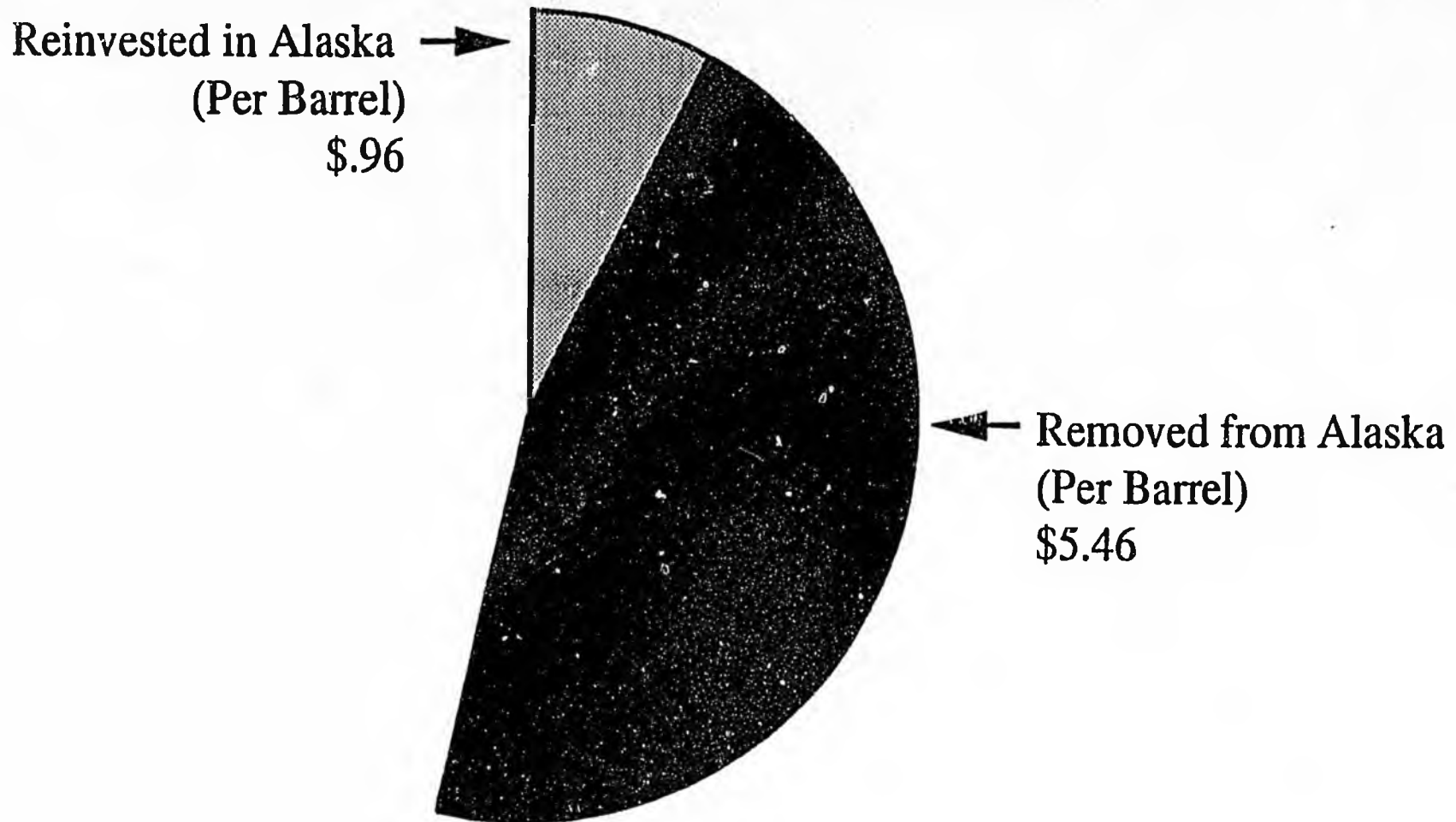
*Mr. Harold Heinze
ARCO Alaska Inc.
Testimony to the House finance Committee
April 12, 1985*

"If the state government increases our taxes we will have less cash to develop new fields."

*ARCO Alaska Inc.
newspaper advertisement
Alaska Journal of Commerce and Pacific Rim Reporter
October 7, 1985*

Chart 3

How Much Money Do The Oil Companies Reinvest in Alaska?

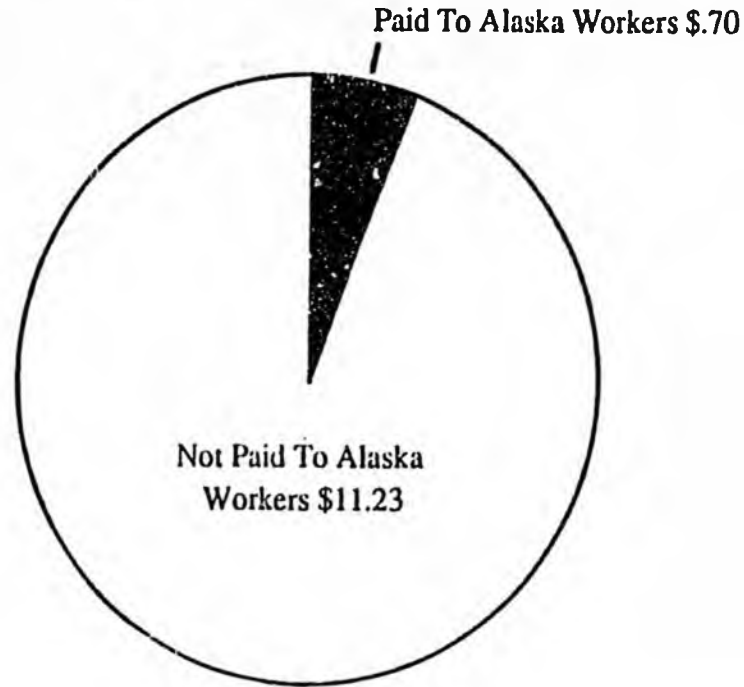


U.S. oil companies are in the process of liquidating. U.S. oil reserves are the leftovers of an enormous feast. Faced with a relentlessly declining reserves base, a good management is one that can intelligently liquidate its asset base.

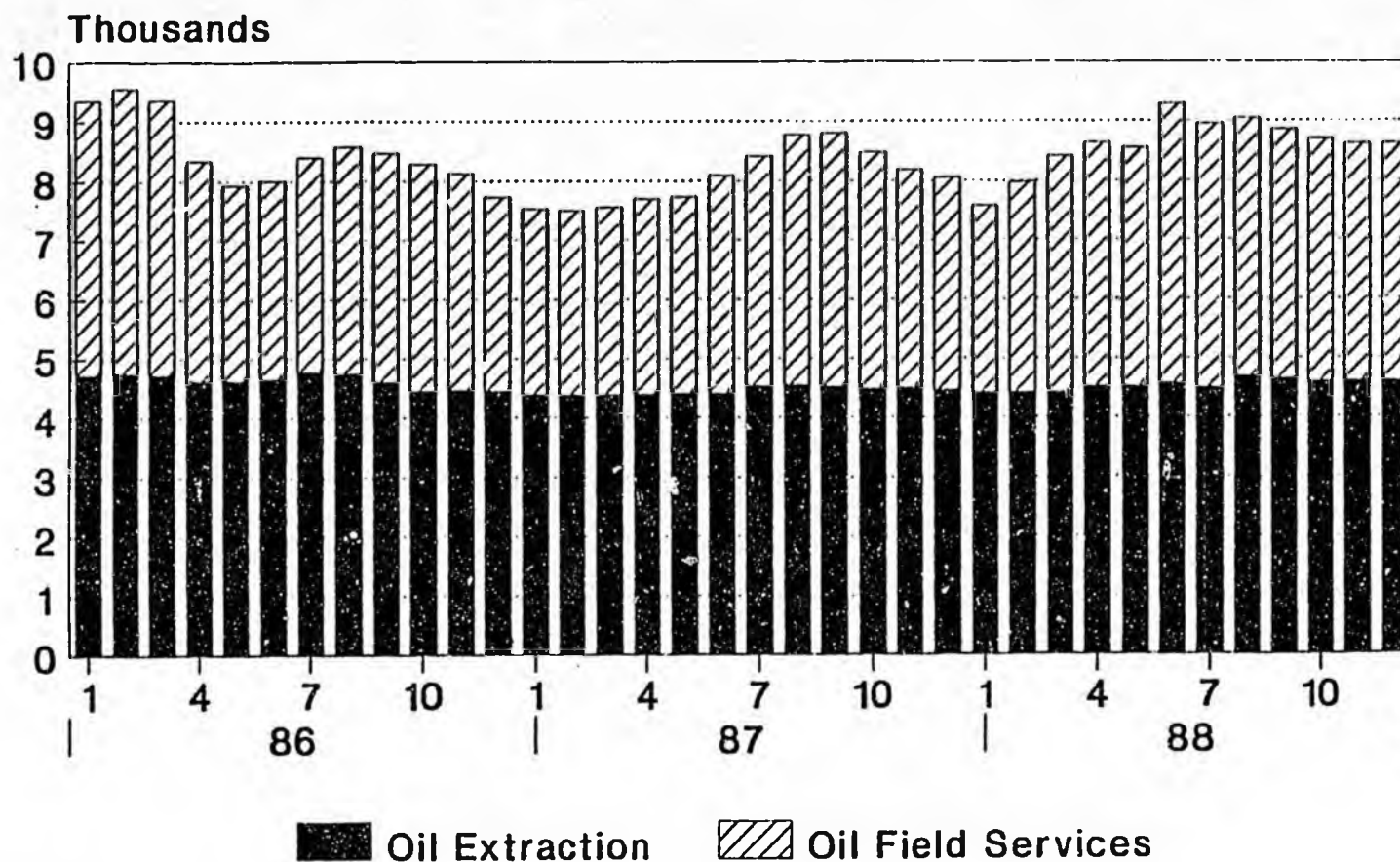
*Robert O. Anderson
former chairman and CEO
Atlantic-Richfield Co.
January 14, 1988*

Chart 4

How Much of The \$11.93 Revenue Per Barrel Gets Paid To Alaska Workers?
(\$/Barrel)



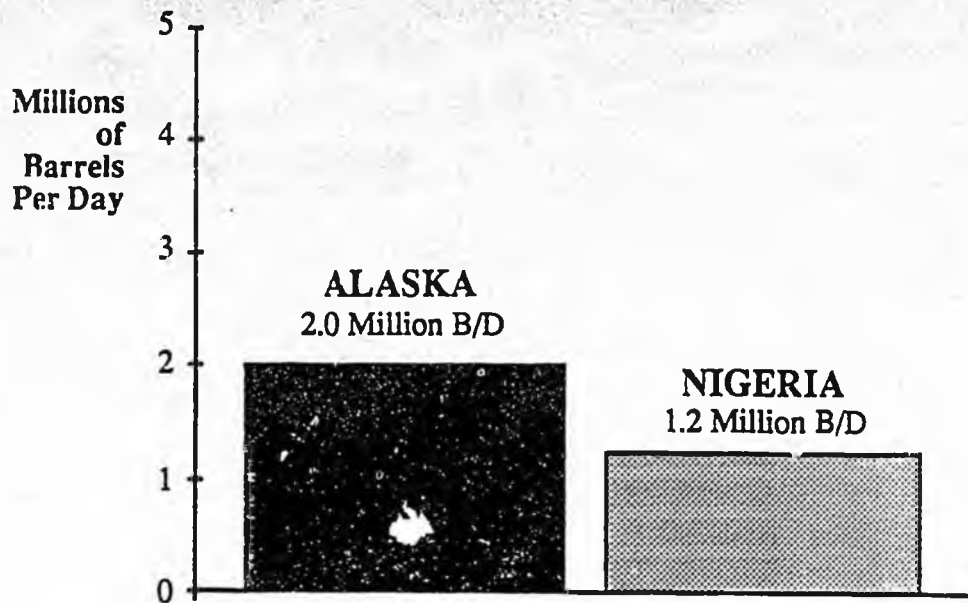
Alaska Oil Industry Employment 1986-1988



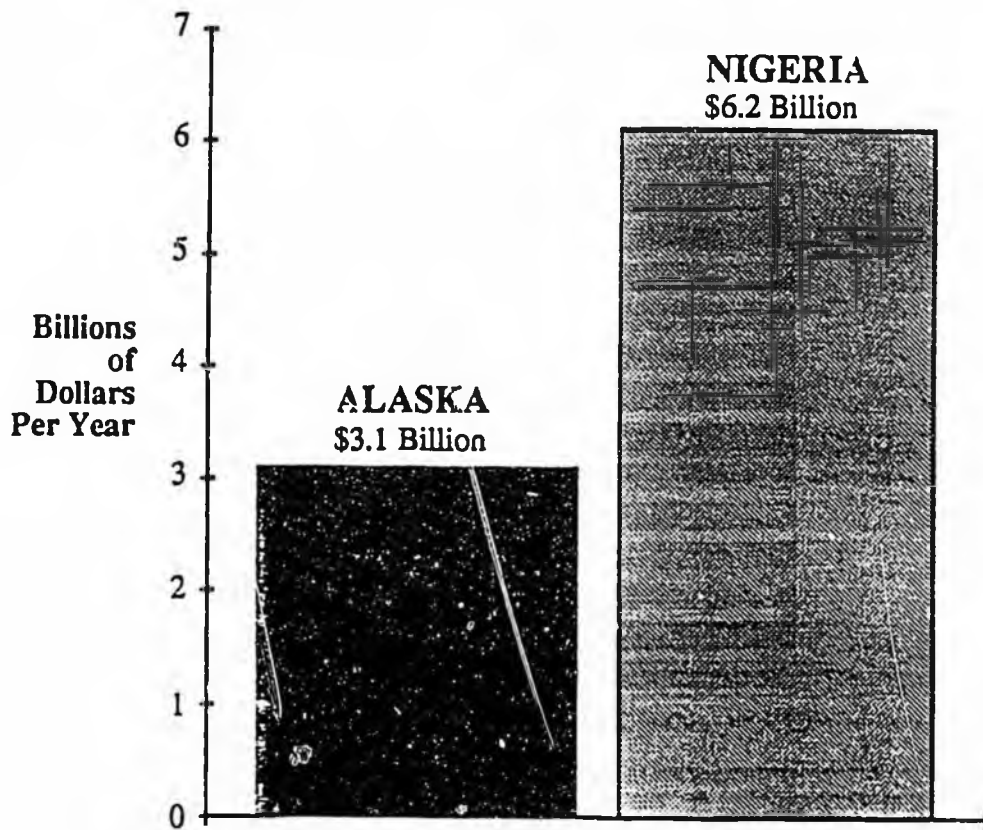
Source: Alaska Dept. of Labor
BLS 790 Survey

PRODUCTION

(Calendar Year 1987)

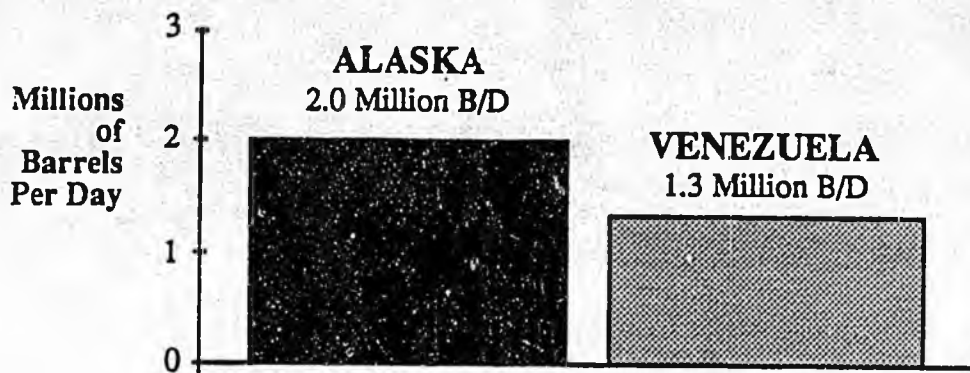


GOVERNMENT REVENUE

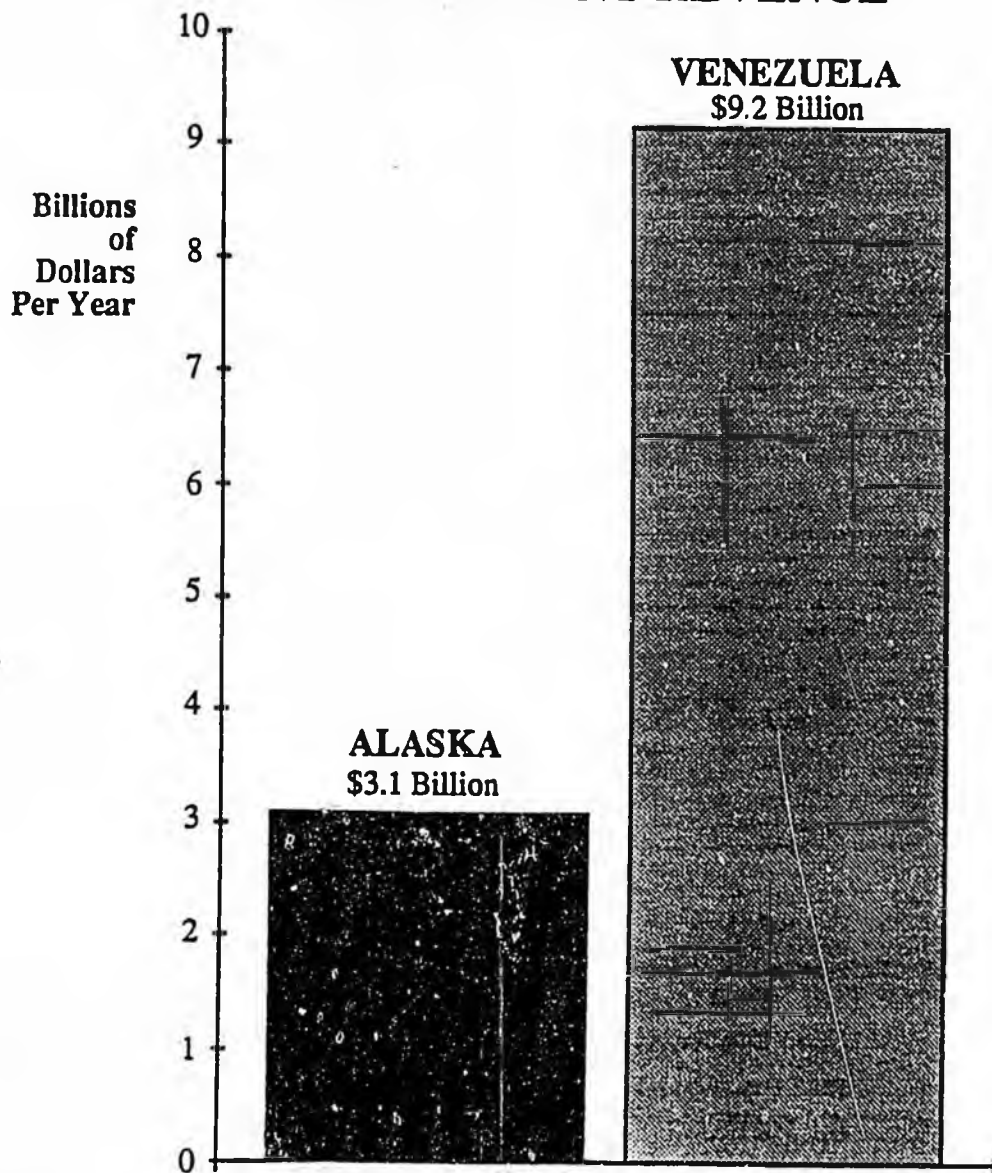


PRODUCTION

(Calendar Year 1987)

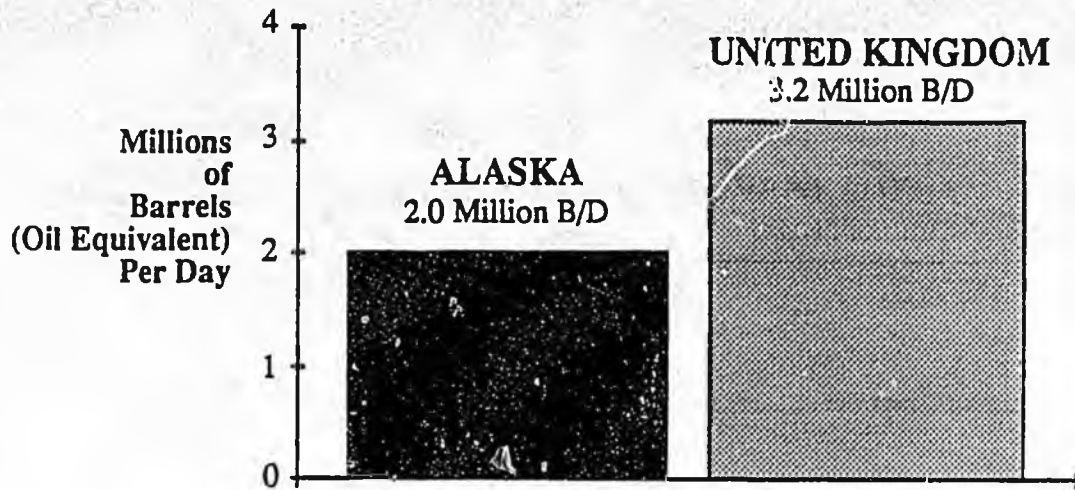


GOVERNMENT REVENUE

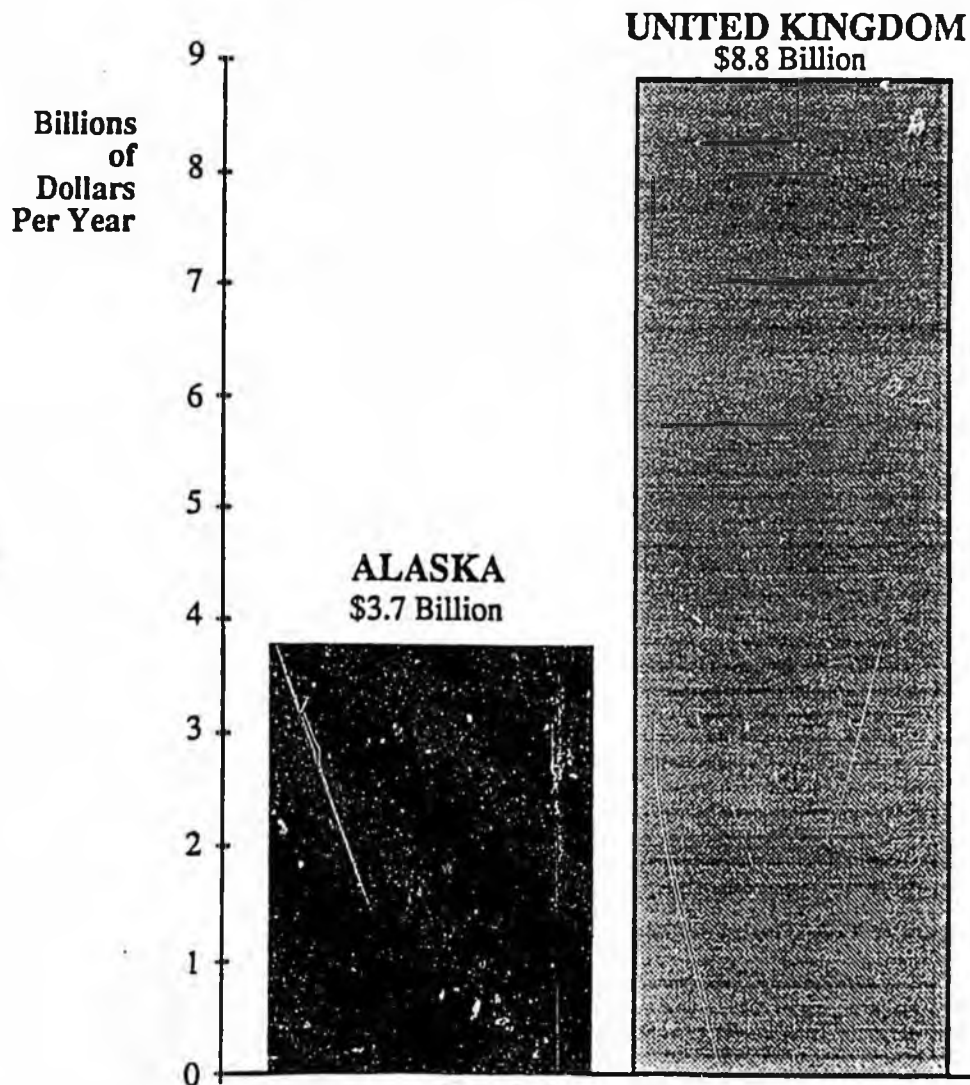


PRODUCTION

(Fiscal Year 1987)

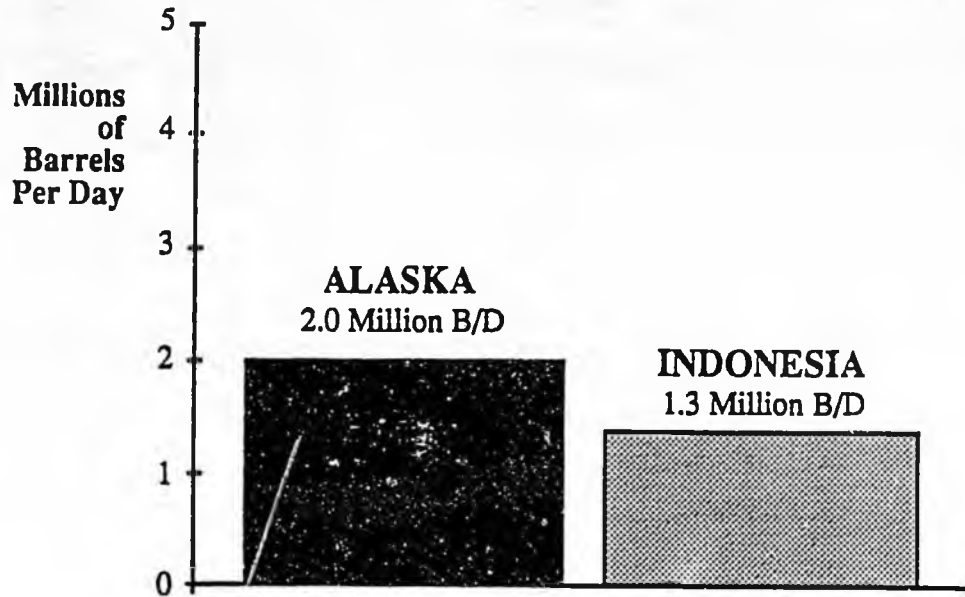


GOVERNMENT REVENUE

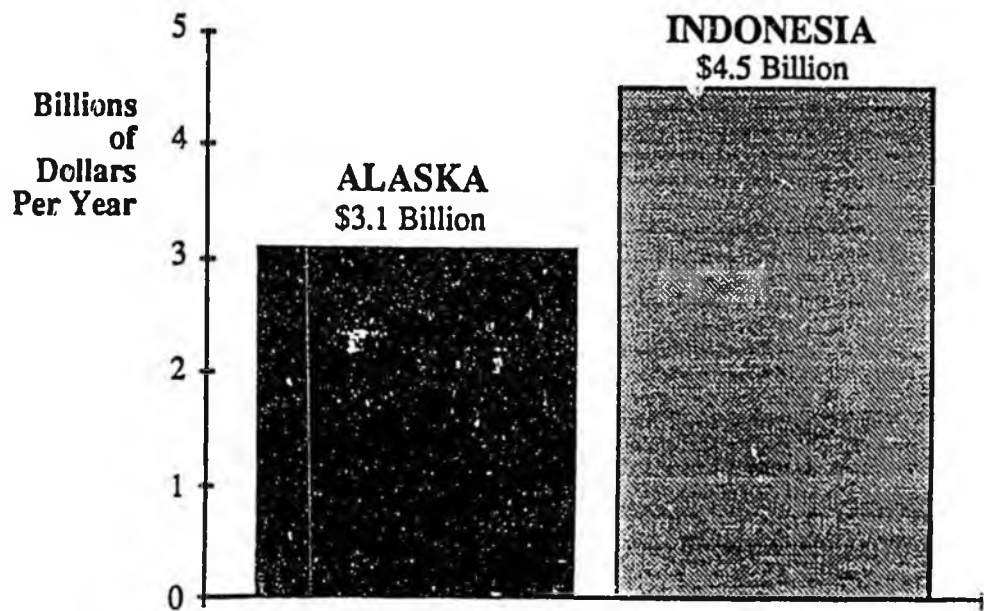


PRODUCTION

(Calendar Year 1987)



GOVERNMENT REVENUE



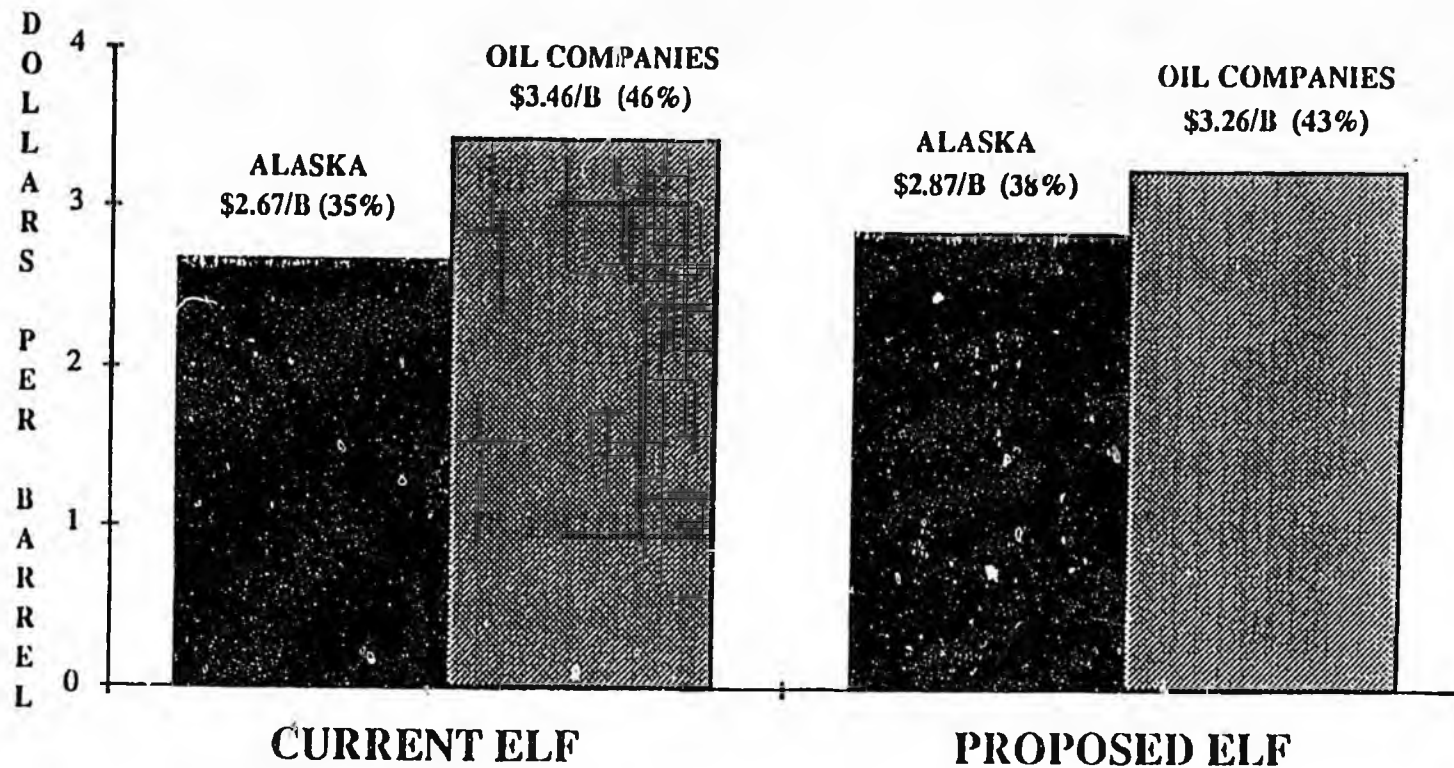
"We have also found [in Indonesia] to an almost unprecedented degree the very desirable and somewhat uncommon qualities of stability, honor, and fair dealing. In the turbulence of the international oil business, Indonesia has been an island of rationality and wisdom."

Robert E. Wycoff
President, Atlantic-Richfield Co.
address to the Indonesian Petroleum Association
October 20, 1987

ARCO Kuparuk Example

	<u>Current Law</u>	<u>Proposed Law</u>
Change in Annual Gross Revenue	\$981,000	\$981,000
Change in Annual Severance Tax	(\$37,846)	\$58,611
Tax Rate on Incremental Production	-3.9%	6.0%
Average Tax Rate Before Drilling	7.820%	10.944%
Average Tax Rate After Drilling	7.806%	10.938%
Percent Change in Average Tax Rate Due to Drilling	-0.180%	-0.055%

How Would The New ELF Affect Profits And Shares ?



"The power of taxation shall never be surrendered. This power shall not be suspended or contracted away...."

The Alaska Constitution

Legislator: "...[W]hat percent do you think they [the state] should collect?"

Mr. Taylor: "Something a little lower than it is now. About half the income tax for instance.... I think it would be much more fair for the industry and the state to get about the same share out of Prudhoe Bay even though we are paying the expenses and we made the investment...."

Legislator: "So you think it should be brought down to the point where the state and the industry get roughly equal shares in this. You like that better?"

Mr Taylor: "Yes, sir."

*Mr. Monte Taylor
Exxon USA Alaska Operations Manager
Joint Gas Pipeline Committee, May 21, 1981*

Legislator: "Did I hear you say you would concur on that?"

Mr. Donaldson: "I think that if you get rough parity with the state...we would have to think a long time as an industry, as a company, before we said that is not a pretty fair piece of middle ground."

*Mr. Richard Donaldson
SOHIO vice-president for government/public affairs
expressing agreement with Mr. Taylor,
Joint Gas Pipeline Committee, May 21, 1981*

"Alaska is not unfamiliar with the activities and importance of lobbies. But it is important to bear in mind that lobbying activity on a scale never before seen will take place in the capital when Alaska becomes a state....

"The taking of Alaska's mineral resources without leaving some reasonable return for the support of Alaska governmental services and the use of all the people of Alaska will mean a betrayal in the administration of the people's wealth."

*Congressional Delegate E.L. "Bob" Bartlett
Address to the Alaska Constitutional Convention
November 8, 1955*

MEMORANDUM

DEPARTMENT OF REVENUE ANALYSIS