

ALASKA LEGISLATURE 1044

HOUSE AND SENATE FINANCE COMMITTEE 1993-1994

HEB

364

HFIN

FILE

HOUSE COMMITTEE REPORT

(11)

Date Referred: February 13, 1994

FURTHER REFERRALS:

Date of Committee Action: 5/10/94

The FINANCE Committee considered:

HB 364

HOUSE BILL NO. 364

PFD PROGRAM/ALLOWABLE ABSENCES

"An Act relating to allowable absences from the state for purposes of eligibility for permanent fund dividends; and providing for an effective date."

RECOMMENDATIONS:

be replaced with C.S HB 364 (Fin) the same title
 a new title

have attached amendments(s)

do pass

do not pass

no recommendations

individual recommendations

additional referral to the _____ Committee

ADOPTS: _____ letter of Intent

ATTACHES NEW FISCAL NOTE(S): (Dept)

APPROVES PREVIOUS: (Dept/Date)

fiscal impact DTR

fiscal note(s) _____

zero fiscal note _____

zero fiscal note(s) _____

SIGNING DO PASS	DP	OTHER RECOMMENDATIONS	DNP	NR	AM
<u>Foster</u>					
<u>Richard D. Daley</u>	<input checked="" type="checkbox"/>	<u>EPmachean</u>		<input checked="" type="checkbox"/>	
<u>Hay Brown</u>	<input checked="" type="checkbox"/>	<u>Donald J. Larson</u>		<input checked="" type="checkbox"/>	
<u>Brown</u>		<u>Mark Hanley</u>	<input checked="" type="checkbox"/>		
		<u>Terry Martin</u>			
		<u>John Parnell</u>		<input checked="" type="checkbox"/>	
		<u>Barry Gussendorf</u>		<input checked="" type="checkbox"/>	
		<u>Therriault</u>		<input checked="" type="checkbox"/>	

Ronald J. Daley EPmachean
 CHAIRMAN'S SIGNATURE

FISCAL NOTE

STATE OF ALASKA
1994 LEGISLATIVE SESSION

BILL NO. CS HB 364 (FIN)

Revision Date:	Dept. Affected: Revenue
Title: <u>Contributions from PFDs</u>	BRU: <u>Permanent Fund Dividend</u>
Sponsor: <u>NORDLAND</u>	Component: <u>Permanent Fund Dividend</u>
Requestor: <u>House Finance Committee</u>	COMPONENT SERIAL NO. <u>981</u>

Expenditures/Revenues: (Thousands of Dollars)

OPERATING	FY95	FY96	FY97	FY98	FY99	FY00
PERSONAL SERVICES	7.4	7.4	7.4	0-	-0-	-0-
TRAVEL	-0-	-0-	-0-	-0-	-0-	-0-
CONTRACTUAL	27.6	7.1	7.1	2.0	-0-	-0-
SUPPLIES	1.0	1.0	1.0	-0-	-0-	-0-
EQUIPMENT	-0-	-0-	-0-	-0-	-0-	-0-
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	36.0	15.5	15.5	2.0	-0-	-0-
CAPITAL	-0-	-0-	-0-	-0-	-0-	-0-
REVENUE FUND SOURCE: (See assumptions)	36.0	15.5	15.5	2.0	-0-	-0-

FUNDING: (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF	36.0	(36.0)				
1005 GF/Program Receipts		51.5	15.5	2.0	-0-	-0-
1006 GF/MHTIA						
Other Dividend Fund 1050						
TOTAL	36.0	15.5	15.5	2.0	-0-	-0-

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

Estimate of current year (FY94) impact: \$ -0-

ANALYSIS:

See pages 2 - 3.

Prepared by: <u>Thomas C. Williams</u>	Phone: <u>465-2323</u>
Division: <u>Permanent Fund Dividend</u>	Date: <u>05-06-94</u>
Approved by Commissioner:	Date: <u>5/6/94</u>
Agency: <u>Department of Revenue</u>	

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ALASKA DEPARTMENT OF REVENUE
PERMANENT FUND DIVIDEND DIVISION
ANALYSIS OF HB 364 (FIN)
As of May 6, 1994

Assumptions: This fiscal note is based on the following assumptions:

1. These are the only two Permanent Fund Dividend checkoffs that will become law.
2. A two-part yes or no question asking if an individual wanted to donate \$10 to each account would be added to the application requiring an enlargement of the application page size. The contribution options would be listed in the order in which they appear in the legislation. A two or three line explanation of each checkoff option would be included in the household application booklet instructions.
3. Programming changes will be a one-time cost. Ongoing maintenance of new programs would be accomplished by existing staff. The computer system will need to be changed to account for the change in the program, to establish new accounting controls, and to provide for the transfer of funds to the special contribution accounts.
4. The cost of data capture and the data processing chargeback would be continuing. Two Data Processing Clerk I positions would be required for one additional month to assist in the additional data capture and verification of 560,000 applications. This would require changing two 3-month short term temporary positions to two 4-month long term temporary positions.
5. Garnishments, attachments and levies would take precedence, in the order established by statute, over contributions. The PFD Division would only honor contributions to the extent that an individual's permanent fund dividend has not otherwise been garnished, attached or levied. If the applicant had less than \$20 left after garnishment or levy of the dividend, the PFD Division would honor only the first contribution requested. If an individual applicant had less than \$10 left after garnishment or levy of their dividend, the PFD division would not honor applicant's request for either contribution.
6. Applicants will be advised that contributing to either option will disqualify them from having their dividend directly deposited.
7. The PFD Division would transfer contributions made by applicants to special accounts maintained by the fiscal section of the department's Administrative Service Division.
8. No administrative costs can be recovered until the distribution of the 1995 dividend, which will not occur until FY 96. Accordingly, a General Fund appropriation to fund the FY 95 administrative costs will be required. In FY 96, program receipts would

ALASKA DEPARTMENT OF REVENUE
 PERMANENT FUND DIVIDEND DIVISION
ANALYSIS OF HB 364 (FIN)
 As of May 6, 1994

be used to repay the FY 95 General Fund appropriation. If fewer than 1,550 individuals elect to contribute \$10 of their 1995, 1996 or 1997 dividend to one of the checkoff programs, the Department will request a General Fund appropriation for FY 96, FY 97 and FY 98 to cover the unpaid administrative costs for those years.

9. The Administrative Services Division would be responsible for timely issuing to the appropriate recipient the unexpended balance accumulated in the contribution accounts.

Cost Summary

1. <u>Personal Services</u>	<u>FY 95</u>	<u>FY 96</u>
Change two 3-month short term Range 8 PPT Data Processing Clerk I positions to two 4-month long term positions at a marginal cost of \$3,686 per position.	\$ 7.4	\$ 7.4
2. <u>Contractual Services</u>		
a. Programming Services (300 hours x 75/hr.)	22.5	-0-
b. Data Processing Chargeback	3.0	5.0
c. Additional postage required for bulk mail of booklet	<u>2.1</u>	<u>2.1</u>
<u>Total Contractual Services</u>	<u>27.6</u>	<u>7.1</u>
3. <u>Supplies</u>		
Microfilm and diazo	<u>1.0</u>	<u>1.0</u>
<u>Total Cost</u>	<u>\$ 36.0</u>	<u>\$ 15.5</u>

ALASKA DEPARTMENT OF REVENUE
PERMANENT FUND DIVIDEND DIVISION
SUMMARY OF DEPARTMENT'S OPPOSITION TO PFD CHECK-OFFS

As of May 6, 1994

The Department has historically opposed the addition of any PFD check-offs for three principal reasons.

1. The principal purpose of the PFD program is to pay eligible Alaskans their dividends. It is not to promote any other programs or organizations nor provide a mechanism for eligible Alaskans to donate to a program or organization of their choice.
2. If one organization is given the opportunity to advertise and promote contributions via the dividend application or booklet, a plethora of other organizations and programs will soon want an equal opportunity to promote donations to their program. "If you let the nose of only one camel in your tent, your tent will soon be filled with camels." The list of check-offs proposed since 1987 has included:
 - a. *Alaska Voluntary Health Agencies, Inc.* (HB 246 introduced in 1987)
 - b. *Alaska State Council on the Arts* (HB 246 introduced in 1987)
 - c. *Alaska Public Broadcasting Commission* (HB 246 introduced in 1987)
 - d. *Alaska Special Olympics* (HB 309 introduced in 1987)
 - e. *Arctic Winter Games* (HB 246 and SB 113, both introduced in 1987)
 - f. *Arctic National Wildlife Refuge Exploration Promotion* (HB 506 introduced in 1992)
 - g. *Arts* (HB 150 introduced in 1987)
 - h. *Community Schools* (HB 246 introduced in 1987)
 - i. *Kuskokwim 300 Sled Dog Race Committee, Inc.* (SB 503 introduced in 1988)
 - j. *Any Nonprofit corporation* (SB 406 introduced in 1988)
 - k. *Political parties* (HB 246 and SB 156, both introduced in 1987)
 - l. *Public broadcasting* (HB 150 and SB 215, both introduced in 1987)
 - m. *Rural Alaska Television Network* (SB 214 introduced in 1987)
 - n. *State parks* (SB 213 introduced in 1987)
 - o. *United Way* (HB 246 introduced in 1987)
 - p. *University of Alaska Foundation, Inc.* (SB 310 introduced in 1987)
 - q. *World Eskimo-Indian Olympics* (HB 246 and SB 180, both introduced in 1987)
 - r. *Yukon Quest International, Ltd.* (SB 504 introduced in 1988)
3. There is a cost of administering each check-off. The lack of available space on the application limits the practicality of adding check-offs. Even if the direct administration costs are deducted from the amounts contributed, there are indirect costs associated with explaining the options to applicants and supervising the additional work.

Although applicants can currently ask the Department to send half their dividend to the U of A under the ACT program, the ACT program is not a donation. It is the applicant's purchase of tuition credits. It is similar to the direct deposit of half of their dividend.

HOUSE COMMITTEE REPORT

(11)

Date Referred: February 14, 1994

FURTHER REFERRALS:

Date of Committee Action: 3/3/94

The FINANCE Committee considered:

HB 364

HOUSE BILL NO. 364

PFD PROGRAM/ALLOWABLE ABSENCES

"An Act relating to allowable absences from the state for purposes of eligibility for permanent fund dividends; and providing for an effective date."

- RECOMMENDATIONS:
- be replaced with _____ the same title
 - a new title
 - have attached amendments(s)
 - do pass
 - do not pass
 - no recommendations
 - individual recommendations
 - additional referral to the _____ Committee

ADOPTS: _____ letter of Intent

ATTACHES NEW FISCAL NOTE(S): (Dept) _____

- fiscal impact _____
- zero fiscal note _____

APPROVES PREVIOUS: (Dept/Date) _____

- fiscal note(s) _____
- zero fiscal note(s) Revenue 2/14/94

SIGNING DO PASS	DP	OTHER RECOMMENDATIONS	DNP	NR	AM
<i>Mike Savare</i> NAVARRE	<input checked="" type="checkbox"/>	<i>Eileen P. Maclean</i> Maclean		<input checked="" type="checkbox"/>	
		<i>Robert J. Larson</i> Larson		<input checked="" type="checkbox"/>	
		<i>Mark Parrell</i> Parrell		<input checked="" type="checkbox"/>	
		<i>Bar Sommer</i> gussindorf		<input checked="" type="checkbox"/>	
		<i>Tom Terzian</i> Therman		<input checked="" type="checkbox"/>	
		<i>Jan Torow</i> Brown		<input checked="" type="checkbox"/>	
		<i>Mark Hanley</i> Hanley		<input checked="" type="checkbox"/>	

Ronald J. Larson E. P. Maclean
 CO-CHAIRMAN'S SIGNATURE
 Larson Maclean

FISCAL NOTE

No. 1

Bill Version: HB 364

(H) Publish Date: 2/14/94

**STATE OF ALASKA
1994 LEGISLATIVE SESSION**

BILL NO.

Revision Date:

Dept. Affected:

Revenue

Title: PFD Program/Allowable Absen. ~~rs~~

BRU:

Permanent Fund Dividend

Component:

Permanent Fund Dividend

Sponsor: NORLAND, by request

Requestor: House Special Committee on Military and Veterans' Affairs

COMPONENT SERIAL NO. 981

Expenditures/Revenues:

(Thousands of Dollars)

OPERATING	FY95	FY96	FY97	FY98	FY99	FY00
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						
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REVENUE FUND SOURCE:	-0-	-0-	-0-	-0-	-0-	-0-
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FUNDING:

(Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1006 GF/MHTIA						
Other	-0-	-0-	-0-	-0-	-0-	-0-
TOTAL	-0-	-0-	-0-	-0-	-0-	-0-

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

Estimate of current year (FY94) impact: \$ -0-

ANALYSIS:

The Department routinely hears from Alaska residents contending that they should be allowed to retain eligibility for a dividend while absent from Alaska because the nature of their absence is "just like" or very similar to a currently allowable absence. Among some of the more common, individuals who are on religious missions or serving in the Red Cross have argued that their service is analogous to that of the Peace Corp. Individuals appointed to represent Alaska on citizen councils in Washington DC have argued that their service is analogous to serving as an employee of the State of Alaska. (continued on page 2)

Prepared by:

Thomas C. Williams

Phone: 465-2323

Division:

Permanent Fund Dividend

Date: 02-07-94

Approved by Commissioner:

[Signature]
Department of Revenue

Date: 2/9/94

Agency:

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COMMITTEE COPY

ALASKA DEPARTMENT OF REVENUE
PERMANENT FUND DIVIDEND DIVISION

ANALYSIS OF HB 364

February 7, 1994

Most notably, doctors and engineers who are members of the Officer Corp of the United States Public Health Service (USPHS) have argued that because they work side by side with members of the military that they and their families should also be afforded an allowable absence. In fact, several members of the USPHS have a active lawsuit alleging that since the legislature granted military members an allowable absence that the Department is required to also create an allowable absence for USPHS service.

Merchant mariners and others whose private commercial work routinely takes them out of state for extended periods of time have argued that they too should retain their eligibility while absent for more than 180 days because they maintain their only home in Alaska. However, in a review of some proposed regulations the Department of Law verbally advised the Department of Revenue that making a work related absence contingent upon maintaining a physical abode in Alaska at all times during an individual's absence could raise constitutional equal protection issues. Absent the argument that the individual is maintaining a physical abode in Alaska at all times during an individual's absence, the Department see no other compelling argument as to why individuals absent from Alaska for more than half the year should retain PFD program eligibility given the original program intent as expressed in the enabling legislation.

As reflected in section 1(b), Chapter 21, SLA 1980, the original intention of the dividend program was in part "to encourage persons to maintain their residence (*not just residency*) in Alaska and to reduce population turnover in the state."*[comment in parenthesis added]* Expanding the allowable absence provisions, sending more and more dividend dollars to individuals living out of state, is not consistent with the stated intent of the program. Expanding allowable absence encourages individuals to declare Alaska residency while simply passing through Alaska simply to qualify for a unique economic benefit. This effect is also at odds with the intent of the program "to reduce population turnover in the state." It is clear from the intent in the enabling legislation that the dividend program was never intended to pay people who simply passed through Alaska. Consequently, the Department does not support a continual expansion of allowable absences, nor the corresponding increase of issuing dividends to people who are not in Alaska for at least half the eligibility period.

Attachment: 1993 DIVIDEND PAYMENTS TO ELIGIBLE APPLICANTS WITH ABSENCES

As of January 24, 1994.

Adopted 5/6/94

8-LS1378X
Cook
5/5/94

**CS FOR HOUSE BILL NO. 31
IN THE LEGISLATURE OF THE STATE OF ALASKA
EIGHTEENTH LEGISLATURE - SECOND SESSION**

BY

**Offered:
Referred:**

Sponsor(s): REPRESENTATIVE NORDLUND BY REQUEST

A BILL

FOR AN ACT ENTITLED

1 "An Act relating to contributions from permanent fund dividends; and providing
2 for an effective date."

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

4 * Section 1. CONTRIBUTIONS FROM PERMANENT FUND DIVIDENDS. (a)
5 Notwithstanding AS 43.23.069, the Department of Revenue shall prepare the permanent fund
6 dividend application to allow an applicant to elect to have \$10 subtracted from the applicant's
7 dividend for contribution to the Iditarod Trail Committee, Inc., to be used by the committee
8 for conducting dog mushing races and promoting the state sport, and to be used by the
9 Department of Revenue for administrative costs incurred by the department in implementing
10 this section. Contributions shall be deposited in an Iditarod Trail Committee contribution
11 account. In accordance with an appropriation for the purpose, the department shall use money
12 in the account to pay for the administrative costs incurred by the department in implementing
13 this section. The balance in the account shall be delivered by the department to the Iditarod
14 Trail Committee, Inc., at least every six months.

1 (b) Notwithstanding AS 43.23.069, the Department of Revenue shall prepare the
2 permanent fund dividend application to allow an applicant to elect to have \$10 subtracted from
3 the applicant's dividend for contribution to the Alaska children's trust fund (AS 37.14.200)
4 and to be used by the Department of Revenue for administrative costs incurred by the
5 department in implementing this section. Contributions shall be deposited in an Alaska
6 children's trust fund contribution account. In accordance with an appropriation for the
7 purpose, the department shall use money in the account to pay for the administrative costs
8 incurred by the department in implementing this section. The balance in the account shall be
9 deposited by the department in the Alaska children's trust fund at least every six months.

10 (c) This section applies only to dividends for 1995, 1996, and 1997.

11 * Sec. 2. This Act takes effect January 1, 1995.

8-LS13780
Cook
3/14/94

CS FOR HOUSE BILL NO. 364()
IN THE LEGISLATURE OF THE STATE OF ALASKA
EIGHTEENTH LEGISLATURE - SECOND SESSION

BY

Offered:
Referred:

Sponsor(s): REPRESENTATIVE NORDLUND BY REQUEST

A BILL

FOR AN ACT ENTITLED

delete adopted
↓

1 "An Act relating to payment of permanent fund dividends of certain individuals
2 who have been absent from the state [and to allowable absences from the state
3 for purposes of eligibility for dividends;] and providing for an effective date."

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

5 * Section 1. AS 43.23 is amended by adding a new section to read:

6 Sec. 43.23.017. DIVIDENDS OF CERTAIN INDIVIDUALS WHO HAVE
7 BEEN ABSENT. (a) An individual who is eligible for a permanent fund dividend
8 and has been absent from the state for at least 181 consecutive days during the
9 calendar year immediately preceding January 1 of the current dividend year may not
10 receive the dividend until the individual

11 (1) has been physically present in the state for a subsequent calendar
12 year, except that during that year the individual may have been absent for up to 90
13 days; and

14 (2) is otherwise eligible for the dividend declared for the year

1 immediately following the year that satisfies the requirements of (1) of this subsection.

2 (b) If, before receiving the prior year dividend, an individual who is eligible
3 to receive a prior year dividend under (a) of this section fails to apply or qualify for
4 a dividend for a subsequent year, that individual becomes ineligible to receive the prior
5 year dividend.

6 (c) If an individual who is eligible for a dividend but has not received it dies
7 before satisfying the requirements of (a)(1) and (2) of this section, the department shall
8 pay the dividend to the appropriate person on behalf of the estate of the individual.

9 * Sec. 2. AS 43.23.095(8) is amended to read:

10 (8) "state resident" means an individual who is physically present in the
11 state with the intent to remain permanently in the state under the requirements of
12 AS 01.10.055 or, if the individual is not physically present in the state, intend to
13 return to the state and remain permanently in the state under the requirements of
14 AS 01.10.055, and is absent only for any of the following reasons:

15 (A) vocational, professional, or other specific education for
16 which a comparable program was not reasonably available in the state;

17 (B) secondary or postsecondary education;

18 (C) military service;

19 (D) medical treatment;

20 (E) service in Congress;

21 (F) other reasons which the commissioner may establish by
22 regulation; [OR]

23 (G) service in the Peace Corps;

24 (H) service at sea aboard a United States flagged vessel
25 exceeding 100 gross tons if the individual is required to possess a valid
26 United States merchant mariner's document issued by the United States
27 Coast Guard; or

28 delete → (I) service in the commissioned corps of the United States
29 Public Health Service;

30 * Sec. 3. This Act takes effect January 1, 1995.

Handwritten notes on the left margin: "Delete" with arrows pointing to lines 9, 28, and 29. "Adopted" with a bracket around lines 10-27. "Delete" with an arrow pointing to line 30.

Back-up

716 W. FOURTH AVE
ANCHORAGE, ALASKA 99501-2133
258-8191

WHILE IN SESSION:
ALASKA STATE CAPITOL
JUNEAU, ALASKA 99801-1182
465-4968

Alaska State Legislature
House of Representatives



DISTRICT 11:
SAND LAKE
SPENARD
TAKU-CAMPBELL

Representative Jim Nordlund

SPONSOR STATEMENT

House Bill 364 proposes to add two additional allowable absences to the definition of a state resident for the purposes of determining eligibility for permanent fund dividends. These exemptions would be service in the United States Merchant Marines and service in the commissioned corps of the United States Public Health Service.

I am introducing this legislation at the request of two constituents, one a merchant mariner and one a commissioned Public Health Service Officer. They have both been denied Permanent Fund dividends for the past two years because they have been absent from the state for more than 180 days.

It is my belief that both of these circumstances are substantially similar to the already existing exemption for military service and should be granted the same exemption status.

Under Federal law, the PHS Commissioned Corps are designated as one of the seven "Uniformed Services" of the Armed Forces. The rank structure is identical or similar to the US Navy. PHS officers wear military uniforms and are issued military ID cards. They also receive the same pay and allowances, medical and dental care, Veteran's Administration benefits, life insurance, and voting rights as other branches of the Armed Forces. In addition they are entitled to the same military flight privileges and base and exchange privileges. *They are also subject to the same obligations.*

There are currently a total of 532 active duty PHS officers who claim Alaska residence. Of that total 191 are assigned to duty stations outside Alaska. These figures were obtained from the Public Health Service, Office of the Surgeon General, Compensation Branch, Rockville, MD. They were last updated April 26, 1993.

The United States Merchant Marines is overseen by the Maritime Administration (MARAD). MARAD is charged by the President and Congress with the responsibility of developing and maintaining a merchant marine capable of meeting America's defense and commercial trade requirements. MARAD maintains an active reserve roster of over 300 ships in the National Defense Reserve Fleet (NDRF) as a source of vessels that would be activated to meet the shipping requirements of the United States during national emergencies. During Operation Desert Shield and Desert Storm, MARAD activated 78 ships to transport cargo to our military force in the Persian Gulf. MARAD also activated ships to transport cargo for Operation Restore Hope in Somalia.

HB 364 would not require additional operating expenses for the Department of Revenue. However, it would reduce the amount of Permanent Fund Dividend checks by a nominal amount. If we are going to allow exemptions for education, military service, medical treatment, service in Congress, and service in the peace corps, then we should also make exemptions for these two worthy groups.

716 W. FOURTH AVE
ANCHORAGE, ALASKA 99501-2133
258-8191

WHILE IN SESSION:
ALASKA STATE CAPITOL
JUNEAU, ALASKA 99801-1182
465-4968

Alaska State Legislature
House of Representatives



DISTRICT 11:
SAND LAKE
SPENARD
TAKU-CAMPBELL

Representative Jim Nordlund

SECTIONAL ANALYSIS
HB 364

Section 1.

Adds service in the United States Merchant Marines and service in the commissioned corps of the United States Public Health Service to the definition of a resident for the purposes of determining eligibility for permanent fund dividends.

Section 2.

Effective Date.

INTERNATIONAL ORGANIZATION OF MASTERS, MATES & PILOTS

PACIFIC MARITIME REGION

2819 First Avenue, #100 ★ Seattle, Washington 98121-1126 ★ Telephone: (206) 441-1070 ★ FAX: (206) 443-3752



February 8, 1994

THE HONORABLE JIM NORDLUND, Representative
Alaska State Legislature
Alaska State Capitol
Juneau, AK. 99801

Dear Representative Nordlund:


As an Official of the Pacific Maritime Region of the International Organization of Masters, Mates and Pilots and a Representative for the members of our Union who are Alaskan Residents, please accept our sincere gratitude for your introduction of House Bill 364. We support this legislation wholeheartedly. It is our opinion that service in the United States-Flag Merchant Marine should be an allowable absence for the purposes of determining eligibility for permanent fund dividends.

Like most American Merchant Mariners, residents of Alaska who make their living working aboard United States-Flag commercial vessels are frequently away from home for extensive periods of time. American Seamen who are engaged in overseas voyages carry United States commercial exports and imports, humanitarian cargoes and military supplies and, because of the nature of the job itself, may be away from home for months and months at a time. They should not be treated any differently by the State of Alaska than others who are absent from the State for more than one hundred eighty days (180) in a calendar year performing their chosen vocation.

The United States-Flag Merchant Marine is our Nation's fourth arm of defense. The men and women of the American Merchant Marine have always responded quickly and effectively to our Nation's call. They have never refused to put themselves at risk in order to protect the economic, political and military security of our great Nation. These Merchant Mariners, who will continue to serve the United States in the future, should no longer be discriminated against by the State of Alaska simply because their chosen, critically important occupation keeps them outside the boundaries of the State for extended periods of time.

Again, Representative Nordlund, our sincere thank you to you for taking the lead and sponsoring HB 364. We are looking forward to working with you for its swift enactment.

Sincerely,


CAPTAIN STEVEN J. DEMEROUTIS, Vice President
International Organization of Masters, Mates and Pilots
Pacific Maritime Region

SJD:s

Nov. 12
formal hearing
in Juneau

Thomas E. Bates
7060 Cheryl St.
Anchorage, AK
99518

(Phone) 907 344 5862
(SSN) 549-74-0753

July 16, 1993

Representative Jim Nordland
716 W. 4th Avenue, Suite 240
Anchorage, AK 99501

Dear Representative Nordland

We visited once, when you were stumping the neighborhoods during your election campaign. When you were asking for my support then, I did not think that I would be asking for your support now, but here I am.

I am being denied Alaska Permanent Fund Dividend checks for the past two years, because my new employment with the U.S. Merchant Marine kept me out of the state for more than 180 days in each of those years. In this regard, I am seeking two things: (1) support in my appeal to have the 1991 and 1992 checks issued to me, and (2) legislation to amend the law to allow the dividend checks to be issued to people in circumstances similar to mine.

I am a permanent Alaska resident since 1984. I am a member of the U.S. Coast Guard Reserve in Anchorage. I own my home, raise my family, pay taxes, enroll in college classes, answer the call for jury duty, and vote ONLY IN ALASKA. I maintain nothing anywhere else in the world, and have no affiliation with any other state or country. I am earning a living sailing with the U.S. Merchant Marine, and bringing the money home to my family. Whenever I leave the state, I am on the open ocean, and not at a destination where a person would say, "I have arrived." And I intend to remain a permanent, hard working, Alaska resident.

The Permanent Fund Division excuses soldiers, sailors, and airmen their absences from the state for participation in military operations. And I believe an amendment to the Permanent Fund regulations to allow members of the U.S. Merchant Marine the same consideration, would not conflict with the spirit in which the permanent fund dividend is distributed.

Jim, in seeking your assistance in being issued the 1991 and 1992 checks, I offer the following explanation, and ask that you intervene with the Permanent Fund Division in my behalf.

When the Persian Gulf War began in 1990/1991, the Coast Guard Reserve had no need for me in the war zone, so I obtained employment with the Merchant Marine, and sailed to war in direct support of Operation Desert Storm for seven months in 1991.

In contrast to the regular military, there are no re-employment rights for someone in the Merchant Marine who returns from war, so when I initially left my job in Alaska to go to war, I was by circumstances, making a career change as well. When the war was over, prudence dictated that I maintain employment with the Merchant Marine. And in 1992 a portion of my sailing time was to Somalia, in direct support of Operation Restore Hope.

On this basis, Jim, I am asking your support in being issued the checks in question. My absence should be allowed because the statute allows absence to perform military service, even though the regulation seems to limit this to active duty military.

In further support of my above request, and to further the comparison to military duty, I submit the following paragraphs.

There are some things that make my Merchant Marine job very much like being in the military. My particular ship, the M/V Cpl Louis J. Hauge Jr, is on contract to, and under direct control of the Navy's Military Sealift Command (MSC). When I travel to and from my ship, I am under orders from the MSC, and my employer is reimbursed the cost of my travel by the MSC. My ship sails with the Navy in the same dangerous waters as Navy ships. It loads and unloads military cargo and hardware in dangerous ports. For instance, in Somalia, my ship delivered fuel and fresh water to our troops ashore where, just last month, the imminent danger was revealed when a U.S. merchant ship (delivering fuel in Somalia) was struck by rocket fire. And when U.S. Troops are sent in force to Bosnia, I will be transporting their equipment ahead of them. Additionally, if a member of the Merchant Marine deserts his ship in a foreign port, he can be arrested by the Coast Guard, fined, and his merchant marine documents confiscated, effectively making him un-employable.

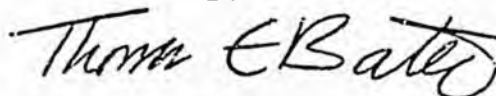
You can see that although I am a civilian employee, I do not have the liberties usually associated with a civilian job, and once a voyage is begun, I cannot just jump off on a whim.

In 1991, my entire absence from the State of Alaska was in direct support of Operation Desert Storm. In 1992, my 217 day absence was in support of U.S. military operations with 57 of those days in support of Operation Restore Hope.

At all times, when aboard my ship, I am directly supporting U.S. Navy operations. My ship is the Flag Ship for Military Preposition Supply (MPS) Squadron Two, usually stationed at Diego Garcia in the Indian Ocean. My position as Radio Officer on that ship makes me the direct communications link between the Navy Command on board, and the other ships of the squadron.

I look forward to hearing from you. In my absence, please communicate with my wife, Chris, at this same address and phone number. I have given her complete power of attorney, and she can represent and act in my behalf in all matters.

Sincerely,



THOMAS E. BATES

Copy: Senator Drew Pearce
Permanent Fund Director, T.C. Williams
Permanent Fund Operations Chief

Encl: (1) Informal Conference Decision
(2) Request for Formal Hearing (copy)
(3) Copy of Letter to Senator Pearce

Thomas E. Bates
7060 Cheryl Street
Anchorage, AK 99518
Phone 907-344-5862

January 19, 1994

Representative _____
State Capitol
Juneau, Ak 99801-1182

Dear Representative _____,

I ask that you move HB 364 (Act Relating To Allowable Absences From The State For Purposes Of Alaska Permanent Fund Dividend Eligibility) quickly through committee, back to the floor, and then help pass it into law.

I support this bill because I am an Alaskan resident who was three times denied my Permanent Fund Dividend:

In 1991 I was denied a dividend because my absence from the State exceeded the allowable limits. I was in a war zone at the time, aboard one of the many cargo ships needed to support Operation Desert Storm.

In 1992 I was denied a dividend because my absence from the State exceeded the allowable limits. I was in Somalia as part of Operation Restore Hope. My ship was needed to pump fuel and fresh water to U.S. Marines, and to stand-by in case our cargo of military hardware was needed.

In 1993 I was denied a dividend because my absence from the State exceeded the allowable limits. I was with a U.S. Navy Amphibious Task Group in the Persian Gulf, dispatched as a show of strength to ensure the continued inspection of Iraqi facilities suspected of weapons development.

I have been denied a dividend because I am not a member of the "regular" Armed Forces, but a U.S. Merchant Marine. I have been denied even though the U.S. Merchant Marine, under the direction of the Navy, participates in military operations throughout the world. I have been denied even though I share the same risks as sailors in our Navy.

Alaska is my home, my only home. I own a house in Anchorage that I make payments on and pay taxes on. And in that house live my wife and children. When I am not on the job I am there with them. The only difference between me and anyone else is that my work place happens to be on the open sea and it's not possible for me to come home each night to be with my wife and kids. I am not a Somali, an Omani, or a Diego Garcia. I am an Alaskan and intend to remain an Alaskan. Alaska is the State where I vote and where I am expected to perform jury duty. If I am not an Alaskan, then what am I?

It is my hope that the State of Alaska will recognize the sailors of the U.S. Merchant Marine, this often forgotten arm of our National Defense, for what we really are. Your support in this matter is important and is appreciated.

Sincerely,

Tom Bates

Vital Speeches of the Day

REG. U.S. PAT. OFF.

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NOVEMBER 15, 1990

NO. 3

Sealift

RAPID RESPONSE TO THE PERSIAN GULF CRISIS

By FRANCIS R. DONOVAN, *Vice Admiral, USN, Commander, Military Sealift Command*
Delivered to the Cleveland City Club, Cleveland, Ohio, October 12, 1990

GOOD afternoon. It is a privilege to be asked to speak at the prestigious Cleveland City Club and a privilege to be in Cleveland. As you know, I have been put into the game as a substitute for the Under Secretary of Defense. I hope you find me up to the task.

This is Columbus Day. Columbus was one of my earliest heroes. I would like to remind the students here today, don't ever be too sophisticated to have heroes. Columbus had the courage to go over the horizon. He had an uncanny ability to dead reckon and havigate. I traced many of his routes to the Bahamas and the Antilles in the Caribbean and once, when I was captain of a U.S. Navy ocean tug, I stopped and went ashore at San Salvador just as Columbus did. A moving event.

At the outset today, I would like you to know that one of the first U.S. merchant marine ships that we chartered to augment our sealift force for Operation Desert Shield was the SS Cleveland. She has performed superbly, prompt on her berth to load, an excellent transit to the Persian Gulf, on time arrival, and now she has offloaded and is on her way home for a new assignment. I thought you folks just might like to know.

I would also like to comment on my introduction, briefly, and I thank you for those kind words and that summary, but I would like to point out what is important to me in that recounting. First, I am from the enlisted source, a former enlisted man. Note that I didn't say a former sailor because I am still a sailor and always will be. But I am a product and an

example of the wonderful opportunities afforded to young people in the Navy. I finished high school at 16, enlisted at 17, served in a destroyer as a youngster, and I'm still here 38-plus years later.

The second thing is that I have been captain of five ships and commanded an amphibious group, and that has given me the opportunity to work directly with our sailors, our Navy men and women, young and a bit older, to work with them over the years, and all around the world. Everything else in the biography is peripheral. The Navy is ships at sea; it is forward deployed presence, mobile, fueled, armed, under way and, day and night, ready to respond. The Navy is our remarkable sailors and young officers who have set themselves aside from the society and who have given up some of the liberties that they have sworn to support and defend, and who have taken on the disciplined life of living and working in a ship at sea, to go over the horizon and range the world's oceans and make the Navy go.

They are young people from Cleveland and every other town and city who want to go and see and do. They are the Navy and all of you as Americans should be proud of them.

The final thing in my biography is that I have eight children. What that really means is that I am doing 6th grade math for the ninth time. And this time I think I've gotten it.

I want to fill you in on what we at the Military Sealift Command have been doing in support of our troops in Saudi Arabia in Operation Desert Shield. Because some of you are not

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familiar with this thing we call sealift, let me give you some background on sealift and MSC first.

Sealift is simply the transporting of equipment and supplies by ship. It is a most important military function. In a contingency such as we are in now, more than 95 percent of all military equipment and supplies transported overseas must be carried by ship. There is simply no other practical way to do it.

In a contingency, you either must load the ships with the essential supplies — with strategic sealift we have a sequence in calling on ships to do that — or have ships standing by that are already loaded — and we have that. We had 23 ships loaded and ready in what we call our Afloat Prepositioned Force when Saddam Hussein sent his Iraqi troops across the border into Kuwait on August 2. I will tell you more about our prepositioned ships later.

Let me say this, right at the start: The planning and expenditures that went into strategic sealift capability over the last decade have paid off handsomely. The kind of ships we acquired for contingency sealift operations have done the job we hoped they would do. In this day of budget efficiencies, you should be gratified to hear that the expenditures of time and money for sealift in the 80s have proven to be worth every cent.

Let me give you some background on MSC. During World War II, there were four separate organizations involved in sealift. In a major reorganization of our defense structure following World War II, sealift was turned over to a single Navy command, now known as the Military Sealift Command. When U.S. troops are deployed anywhere outside the Continental United States, it is our job to see that sufficient sealift is available to move their equipment and to keep them supplied with whatever they need to do their job. To carry out this mission, the U.S. Navy relies heavily on the U.S. flag merchant marine and United States merchant mariners.

Besides strategic sealift, MSC has two other tasks. We operate the Naval Fleet Auxiliary Force of 48 ships, which provide direct support to U.S. Navy combatant ships, such as replenishment of fuel oil, food, ammunition and other supplies. We also operate the Special Mission Support Force of 23 ships, which carry out special missions, oceanographic research, cable laying and repair. All MSC ships are crewed by either federally employed civil service mariners or merchant mariners employed by companies under contract to MSC. We are the single biggest employer of U.S. merchant mariners.

With the decline of the U.S. flag merchant marine, combined with the container revolution of the 1960s, it became increasingly apparent that in the event of a war or contingency, we were going to be hard put to locate the ships that we would need to carry out our strategic sealift mission.

Let me explain. The strategic sealift mission divides easily into two categories: (1) surge shipping during initial mobilization, and (2) resupply or sustainment shipping. Resupply or sustainment shipping presents no serious problems. This is the cargo for the day-to-day needs of the troops and is mostly containerized. We are relying on existing U.S. flag liner service under a Special Middle East Shipping Agreement for transporting sustainment supplies to our troops in Saudi Arabia.

Surge shipping presents a challenge. Here we are talking about military unit equipment, such as tanks, helicop-

ters and other large, bulky vehicles that will not fit into containers. For surge shipping you need roll on/roll off ships, where you can drive the vehicles on and off the ship, and breakbulk ships which have large open decks and are loaded using cranes.

With commercial fleets going more and more to container ships, surge shipping became a matter of increasing concern to military strategists.

A growing deficiency of surge sealift capability in the case of a contingency led to a concerted sealift enhancement program during this past decade. With the support and approval of Congress, the U.S. Navy invested more than \$7 billion in this program.

We acquired the following:

- 8 Fast Sealift Ships — formerly the largest and fastest container ships in the commercial fleet, purchased by the Navy and converted to handle military unit equipment and to handle rolling stock with roll on/roll off ramps;

- A Ready Reserve Force, made up chiefly of former dry cargo ships no longer profitable after the advent of container shipping, now numbering 96 ships and including roll on/roll off ships;

- 2 aviation logistics support ships for the support of U.S. Marine Corps fixed wing aircraft and helicopters;

- 2 hospital ships — the USNS Comfort and USNS Mercy, former tankers converted to floating combat medical facilities;

- 25 prepositioned ships under long-term charter.

Unlike the other ships in this contingency sealift force, the prepositioned ships remain fully activated. As I mentioned earlier, the purpose of prepositioning is to have ships fully crewed and operational and ready to go immediately with essential equipment and supplies.

The Afloat Prepositioned Force includes 13 Maritime Prepositioning Force ships. These ships were specially designed to carry a variety of material — from food and water and medical equipment to tanks and artillery pieces in support of Marine Corps troops. The Maritime Prepositioning ships were divided into three squadrons located in the Pacific, Indian and Atlantic Oceans. Each squadron can equip a Marine Expeditionary Brigade of 16,500 troops and keep it supplied for 30 days.

The other 12 ships carry mostly cargo for U.S. Army and Air Force units. One of them transported a U.S. Navy fleet hospital in its initial deployment to the Persian Gulf.

About a week before Iraq's invasion of Kuwait all U.S. naval forces in the Persian Gulf and Indian Ocean were put on alert. The USS Independence and USS Eisenhower Carrier Task Forces moved quickly, along with battle groups headed by the battleship USS Wisconsin and the carrier USS Saratoga.

Iraqi forces invaded Kuwait on Aug. 2. Five days later, President Bush ordered deployment of U.S. troops to the Persian Gulf. The Military Sealift Command swung into action immediately. The logistics were staggering. It is a 7,000-mile airlift for troops from the East Coast to Saudi Arabia. Their equipment going by ship travels 8,500 miles.

The first thing I did was to order Maritime Prepositioning Squadron Two, located in the Indian Ocean, and Squadron Three, located in the Guam-Saipan area of the Pacific, at flank speed to the Persian Gulf. By August 15 — C-plus-8, eight days after the Commander-in-Chief's deployment order — the first ships from those squadrons were unloading Marine Corps equipment in the Persian Gulf. MPS Squadron One remains on station in the Atlantic.

MPS Squadrons Two and Three transported the unit equipment and 30 days supplies for two Marine Expeditionary Brigades — 33,000 troops. That's 105,000 tons of equipment. (To carry by air the equipment those nine ships carried by sea would have required 2,100 C-5 aircraft.)

Eleven of the other prepo ships carried 102,000 tons of bare base sustainment supplies, port support equipment and medical supplies for Army, Air Force and Navy units (an amount equal to what could be carried by 2,040 C-5s).

At the same time we activated our eight Fast Sealift Ships. One experienced boiler problems. The other seven began arriving in the Gulf at C-plus-20 — 20 days after the President's deployment order, with equipment for a U.S. Army mechanized infantry division.

We began worldwide market surveys to locate suitable ships to carry military unit equipment. We then began chartering ships.

The activation of the Ready Reserve Force was begun early, on 10 August, with the order to make ready the first 17 RRF ships. We also activated the two aviation logistics support ships and two hospital ships.

I thought the response of the Ready Reserve Force ships, considering their age and the fact they have been laying idle, was excellent. Eleven of the first 44 ships we activated were ready to sail on time; 13 were one to five days late; 10 were six to ten days late and 10 were eleven to twenty days late.

For this one, we had to be quick. We could not send troops over to the Arabian deserts facing a vastly numerically superior hostile force without adequate equipment and supplies. And we were quick. In the first three weeks of Operation Desert Shield, we moved more cargo to the Persian Gulf than was moved to Korea in the first three months of that operation.

Prior to the Persian Gulf crisis, MSC's active strategic sealift force included 11 privately owned U.S. flag dry cargo ships and 26 tankers under long term charter and our 25 prepositioned force ships, a total of 62 ships. As I indicated, for shipment of most of the day-to-day sustainment supplies, we depended on regularly scheduled containerized liner service.

Yesterday, MSC's Strategic Sealift Force numbered 141 ships — almost 2.5 times the number employed before the Gulf crisis. Included were:

- 17 Prepositioned ships
- 8 Fast Sealift Ships
- 40 Ready Reserve Force ships
- 2 Hospital ships
- 2 Aviation logistics support ships
- 50 Chartered dry cargo ships
- 12 Chartered tankers
- 6 MSC controlled fleet ships chartered prior to Desert Shield

4 ships offered by Korea (1), Kuwait (2) and Japan (1)

As of yesterday, we had shipped to the Gulf 957,000 tons of dry cargo, and we have positioned almost 1.5 times that amount of petroleum products around the world. We hope we never have to fight, but if we do sealift has done its part to ensure we are ready.

Let me see if I can paint a graphic picture for you. Yesterday, I had 54 MSC ships enroute to the Gulf with equipment and supplies for our troops and 35 ships returning to

the U.S. for additional cargo, a total of 89 ships. If you were to board a plane here in Cleveland and fly east, across the Atlantic, over the same route our ships are traveling — across the Ocean to the Mediterranean, east through the Mediterranean, through the Suez Canal and around the Saudi Arabian Peninsula — you would pass over one of our ships every 98 miles.

Words really can't describe this operation. At this moment we have more than 175,000 well trained troops in Saudi Arabia, all of them well equipped and well supplied by MSC ships.

Let me say a word about the people needed to crew these sealift ships. I am talking chiefly about the Ready Reserve Force ships, which were moored quietly in some out of the way place and had no crews, not even skeleton crews. The Maritime Administration, maritime unions and shipping companies did an excellent job in locating experienced mariners to crew the RRF ships. This Ready Reserve Force cannot work without trained people. And while we have sufficient numbers of mariners to meet the current emergency, the numbers of available mariners will continue to decline unless the maritime industry decline is reversed. We need to develop new programs with the Maritime Administration to ensure the availability of mariners in a contingency — such as maintaining skeleton crews aboard RRF ships at all times and establishing a Merchant Marine Reserve.

In summary, Operation Desert Shield has demonstrated the following valuable lessons:

- (1) The investment in surge sealift has proven invaluable.
- (2) U.S. flag surge sealift was inadequate to meet all DOD requirements, and the charter of foreign flag ships was necessary.
- (3) There is adequate sustainment sealift through the use of U.S. flag container ships.
- (4) The adequacy of mariners to crew the ships must be carefully examined and ways considered to increase the availability of trained crews.

Let me add another valuable lesson learned — though many of us have been well aware of it for some time: The necessity for being prepared for any contingency. In this day of sophisticated weaponry, unrest in the Third World and other areas, terrorism and other threats to peace, there is no substitute for being prepared.

And that brings me to a final point that could easily be overlooked in the midst of the crisis in the Persian Gulf. Despite Saddam Hussein's behavior, this still remains one of the most exciting and promising ages in history. And our readiness over the past 40 years coupled with our constant assurance that we would defend freedom against aggression has played a major role in reshaping the world.

This is an exciting time. In spite of Saddam Hussein, there is more optimism in the world today than at any time in the last 40 years. Communist encroachment has ended and democracy is spreading throughout Europe. And for this the whole world owes a debt of gratitude to the U.S. Armed Forces.

Let us hope we can resolve the crisis in the Persian Gulf without shots being fired. Then, we can set our sights on helping to make this a freer and a more peaceful and productive world for all.

Thank you for permitting me to join you today.
God bless.

Edith M. Clark, R.D.
P. O. Box 1944
Chinle, Arizona 86503-1944
Phone/Fax: (602) 674-5043

May 3, 1993.

George Nagal
c/o Representative J. Nordlund
State Capitol
Juneau, Alaska 99801-1182

RE: Alaska Permanent Fund - Public Health Service (PHS) Commissioned Corps.

Dear Mr. Nagal:

This is further to my letter of February 2, 1993 and our subsequent telephone conversations. What follows is the information you wanted. My apologies for not replying sooner. It took a little while to find the correct resource for the information in 1. below.

1. Numbers of Active Duty PHS Officers Connected With Alaska.

There are currently a total of 532 active duty PHS officers who claim Alaska as their home of record or residence state. Of that total, 191 are assigned to duty stations outside Alaska. These figures are correct as at April 26, 1993. This information was obtained from the Public Health Service, Office of the Surgeon General, Compensation Branch, Rockville, MD.

2. Similarities Between PHS Officers and Armed Services Officers.

Under Federal law, the PHS Commissioned Corps are designated as one of the seven "Uniformed Services" of the Armed Forces. The rank structure is identical or similar to that of the U.S. Navy (I am a Lt. Commander, O-4 rank grade). As simple outward signs, PHS officers wear military uniforms and carry military identification cards (as do their dependents). They also receive the same pay and allowances, medical and dental care, Veterans Administration benefits, survivor benefits, and voting rights. In addition, PHS officers are entitled to military flight privileges and U.S. base commissary/exchange privileges on an unlimited basis.

// In summary, PHS officers receive essentially all benefits accorded military members. They are also subject to analogous obligations. The PHS Commissioned Corps is distinguishable simply because its mission or main purpose differs from that of the other Federal Uniformed Services. //

For your further information, I understand that matters close to this issue are being currently litigated in the Alaskan courts. The attorney handling these matters for the plaintiff's is Joe P. Josephson, 880 H St., Anchorage, AK 99501 (telephone (907) 276-0151). I am not a plaintiff. Other PHS officers are.

I look forward to hearing from you.

Sincerely yours,

Edith M. Clark

cc. Joe P. Josephson's Law

HB 364
Sectional Analysis

Thomas E. Bates
7060 Cheryl Street
Anchorage, AK - 99518
Phone 907-344-5862

January 20, 1994

Dennis Poshard
Office of Representative Nordland
State Capitol
Juneau, AK 99801-1182

Dear Dennis,

First of all, let me thank you for the work you have been doing regarding HB-364. You have kept me and my wife informed at each step, and I sincerely appreciate that.

Yesterday, I sent a fax to each of the members on the Committee for Military and Veterans Affairs. A copy of that fax follows this letter.

I have had a tough time getting this over-all view put together, so now, I will just go full bore, and punch it out to you. I hope it will give you a look at the employment paths that you have requested.

I am a merchant marine radio-electronics officer (REO). There is no entry level training for this position within the merchant marine. So someone who wants to become an REO must first follow several long term steps on his own:

1. Get electronics training.
2. Learn maritime communication operating practices, rules, and regulations.
3. Become proficient with high speed Morse Code.
4. Pass an FCC examination to get a Telegraph License.

The next steps happen at a faster pace:

5. Pass Red Cross First Aid and CPR courses.
6. Obtain commitment of employment from prospective employer.
7. Take commitment letter to the Coast Guard to obtain Merchant Marine Document (commonly called a "Z card").
8. With Z card, telegraph license, and Red Cross Cert. the Coast Guard will investigate the applicant, and when all is in order, will issue a Merchant Marine Radiotelegraph Operator License.

Now the hard part.

9. The new radio officer must log 6 months actually on watch aboard ship at sea, usually with low pay, and no benefits, and under the direct supervision of an experienced REO. The FCC will evaluate those logs, and issue an endorsement on the license indicating that he can be employed as the sole radio officer aboard merchant cargo ships, or an assistant radio officer aboard passenger ships.
10. Now, an REO can join a union, and get employment on a regular schedule.

Other Merchant Marine licensed and unlicensed personnel can be trained completely within the maritime industry.

Dennis, you have already received information on how a prospective Merchant Marine officer can go to a maritime academy. On graduation from the academy, he will have a bachelors degree, and will be licensed by the Coast Guard as a Third Mate, or a Third Assistant Engineer (which ever course he has followed).

His advancement through the ranks depends on documented sea time, and successfully passing the next Coast Guard examinations. Of course, it also depends on a shipping company hiring him at the next rank. A mariner can be licensed as high as Master, or Chief Engineer, but he will only sail at the rank at which a company is willing to employ him.

... A mariner does not need to attend an academy to become a maritime officer. If he has the documented sea time, and the knowledge to pass the Coast Guard test, then he can obtain the necessary license and seek employment. Advancing through the ranks is then the same as above.

A young adult (18 years old or more) can also obtain a Z card if he has documented sea time as a crewmember aboard ships or boats. He can seek employment with the merchant marine in whatever capacity they will take him. Once again, advancement is the same as above.

An adult with no previous sea experience can also attend a union training school. For instance, the Seaman's International Union (SIU) runs a 3 month bootcamp-like school in Maryland. The union covers all expenses, and then withholds the cost from the students pay. During those three months, the student will receive "take-home" pay of about 20 dollars a week. I can't remember what the gross pay is, but it goes toward paying for uniforms, and other items the union deems necessary.

This school is open to almost anyone who is willing to take it. They try to discourage students they think are too old, but they change their tune if it looks like they might get an age discrimination suit out of it.

The SIU school teaches the basics of shipboard jobs, from tending lines, handling food, cleaning decks, wiping engines, driving the ship and launching lifeboats. On graduation, the union places the graduate aboard a union ship.

People entering the merchant marine by this can also advance to the top ranks as indicated above.

The unions also maintain schools and classes to teach mariners new skills, or to teach them what is required (basics only) of the next higher grade. These schools are usually provided at no out of pocket expense to the mariner.

That's about it, Dennis. I'm sure there is much that I have not included here, but maybe this broadview is what you are looking for. If you have any questions, then please call me, anytime.

Sincerely,

Tom Bates
Tom Bates

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WHILE IN SESSION:
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465-4968


Alaska State Legislature
House of Representatives



DISTRICT 11:
SAND LAKE
SPENARD
TAKU-CAMPBELL

Representative Jim Nordlund
MEMORANDUM

TO: Representative Ron Larson, Co-Chair
Representative Eileen MacLean, Co-Chair
House Finance Committee

FROM: Representative Jim Nordlund 

RE: HB 364 - Allowable Absences for Permanent Fund
Dividend Eligibility

DATE: February 16, 1994

I would greatly appreciate it if a House Finance Committee hearing on House Bill 364 could be scheduled as soon as possible. House Bill 364 proposes to add two additional allowable absences to the definition of a state resident for the purposes of determining eligibility for permanent fund dividends. These exemptions would be service in the United States Merchant Marines and service in the commissioned corps of the United States Public Health Service.

I am introducing this legislation at the request of two constituents, one a merchant mariner and one a commissioned Public Health Service Officer. They have both been denied Permanent Fund dividends for the past two years because they have been absent from the state for more than 180 days.

It is my belief that both of these circumstances are substantially similar to the already existing exemption for military service. Under Federal law, the PHS Commissioned Corps are designated as one of the seven "Uniformed Services" of the Armed Forces and many United States Merchant Mariners were absent from the US for a substantial amount of time on support missions for Operation Desert Storm and Operation Restore Hope.

I hope that you will allow me the opportunity to bring this bill before your committee. Dennis Poshard of my staff will provide you with the appropriate back-up when necessary. Thank you for your consideration in this matter.

Captain John L. Larsen

*2912 N.W. Esplanade
Seattle, Wa. 98117
206-781-1113 Fax: 781-2537
P.O. Box 5634
Ketchikan, Ak. 99901
907-225-1965*

February 14, 1994

~~Representative Jim Nordlund~~

Alaska State Legislature
House of Representatives
Juneau, Alaska 99801

Re: House Bill #364 and A.M.H.S. COLD

Dear Mr. Nordlund:

The House Bill you are sponsoring came to my attention through my Union, the Master, Mates & Pilots. I also talked with your aid about the specifics with regards to this issue, and can assure you that you have the Unions' and all of the Masters and Mates associated with the Alaska Marine Highway System (A.M.H.S.) that I have spoken with about this, total support

We have had similar cases, some still pending, where the master or mate of an Alaska State Ferry, was required to go out of state with the vessel to supervise repairs and major overhauls, only to be informed by the Permanent Fund Dividend people that they were not eligible for a dividend, due to unallowable absences.

The situation with the merchant marine who's Bill you are sponsoring sounds ridiculously similar. Best of luck in your pursuit of the passage of Bill #364.

I have spoken to Bill Hudson's and Jim Duncan's people on this issue and, I believe, a related one regarding the Cost of Living Differential (COLD) dispute between the A.M.H.S. (actually the Department of Administration(D.O.A). at this time) and employees it has determined are outside the State's perimeters of residency. Although not exactly the same situation, the cases are similar enough in the way in which the state is arbitrarily questioning someones right to residency. Additionally, the state is inconsistently applying the criteria for residency throughout the fleet, and in fact, changing the criteria from year to year. Now the D.O.A., is heavy handedly

involved in pursuing those individuals they question in regards to the COLD residency requirements, and threatening extreme measures of retribution.

It is interesting to note, that the D O A. is using the Permanent Fund Dividend as a tool towards determining COLD legitimacy, even though the past and current stated A.M.H.S. residency criteria is different. Therefore, if someone applies for and receives the Permanent Fund Dividend, he is assured to qualify for COLD. Conversely, if one does not apply for the Permanent Fund Dividend, he is automatically suspect. The difference here is that the Permanent Fund Dividend criteria states that any absences over 90 days have to be explained and verified by certain criteria, as you well know. However, for COLD purposes, the state has never stated that a certain number of days out of state constitute unallowable absences. Just recently, they did state that time on the ships do not count as time spent in the state for purposes of determining COLD payments. One case in particular concerns an individual who spent 8 months on the M.V. TUSTEMENA, then split the remaining time of the year between Alaska and taking care of his sick father out of state, as well as pursuing the normal and customary lifestyle of a single seaman with a block of time in which to travel. Evidently, his COLD benefits are being withheld because of his chosen lifestyle, not unlike the seaman involved in your dispute with the Permanent Fund.

There are many different cases of this abusive harrassment, unilateral denial of contracted compensation by the state, and threats of termination or criminal charges if individuals do not agree to the states demands for a "Global Settlement" that run totally contrary to the collective bargaining agreement and fair labor practices. Sixty-seven is the nearest estimate at this time. Certainly, too many for me to go into the specifics of each case. Our union and the engineers, as well as the I.B.U. are involved in various grievance and legal proceedings currently, to try and get the state to act reasonably and fairly towards resolving this issue. The main focus, I believe, should be on a statewide standardization of residency requirements for all Alaskans and all agencies. Having a different residency criteria for COLD, Permanent Fund, Pers COLA, drivers license, fishing license, voting etc. etc., is certainly not suitable for future clarity and understanding.

I also feel the current "witch hunt" that the D.O.A. is undertaking should be tempered with an objective mediation process short of long and lengthy arbitration for almost seventy individuals. I feel a "Global" resolution could be negotiated with the unions and members if the focus is on clarifying the residency criteria and re-evaluating those in question, with emphasis on tightening the residency perimeters from now and into the future. People need to know exactly what the state is talking about when it says "intend" to remain an Alaskan resident? After the fact, retro-re-evaluating with evolving residency criteria is not a level playing field. We need objective intervention, and I believe the legislature and or governor could help.

I hope you can take some time to discuss this issue with your colleagues in the legislature and perhaps apply some objective pressure on the D O.A. towards an amiable resolution?

As for myself, I moved out of Alaska last year, although I still maintain two business interest and a part-time residence in Ketchikan. I am quitting the A.M.H.S. after 22 years, that began as an ordinary seaman and culminated in sailing the last 10 years as master. I should add that I am doing so for personal reasons unrelated to the COLD dispute.

Please feel free to contact me for further information or assistance on these or any related issues.

Sincerely,

A handwritten signature in cursive script, appearing to read "John L. Linn". The signature is written in dark ink and is positioned to the right of the typed list of names.

cc: Bill Hudson
Jim Duncan
Fran Ulmer
Robin Taylor
Jerry Sanders
Jerry Mackie
Bill Williams
George Jacko

HVB

364

SFIN

FILE

SENATE COMMITTEE REPORT

DATE: 5/8/94

FURTHER: Finance

DATE TURNED INTO OFFICE: _____

State Affairs Committee considered CS FOR HOUSE BILL NO. 364(FIN)(title am)

"An Act relating to contributions to the Iditarod Trail Committee, Inc. and the Alaska Children's Trust Fund (AS 37.14.200) from permanent fund dividends; and providing for an effective date."

and recommends:

replace with Sen CS CS HB 364 (STA)
or adopt previous _____ CS _____
 attaches amendment(s) upt th of none

same title
 new title
 technical title change (HB only)

adopts _____ Letter of Intent

further referral to the _____

do pass

do not pass

no recommendation

individual recommendations

NEW FISCAL NOTES

Department	Date	Zero	Fiscal

PREVIOUS FISCAL NOTES

Department	Date	Zero	Fiscal
DOR	5-7-94		36

Appropriation No Fiscal Note

DO PASS:

OTHER RECOMMENDATIONS:

Shuman - No Rec
Ellis - Dogs and Kids only

Arwen A. Shuman No rec
Chair: Signature and Recommendation

FISCAL NOTE

No. 2

Bill Version: C SHB 364 (FIN)

(H) Publish Date: 5/7/94

**STATE OF ALASKA
1994 LEGISLATIVE SESSION**

BILL NO

Revision Date:

Dept. Affected: Revenue

Title: Contributions from PFDs

BRU: Permanent Fund Dividend

Component: Permanent Fund Dividend

Sponsor: NORDLAND

Requestor: House Finance Committee

COMPONENT SERIAL NO. 981

Expenditures/Revenues:

(Thousands of Dollars)

OPERATING	FY95	FY96	FY97	FY98	FY99	FY00
PERSONAL SERVICES	7.4	7.4	7.4	-0-	-0-	-0-
TRAVEL	-0-	-0-	-0-	-0-	-0-	-0-
CONTRACTUAL	27.6	7.1	7.1	2.0	-0-	-0-
SUPPLIES	1.0	1.0	1.0	-0-	-0-	-0-
EQUIPMENT	-0-	-0-	-0-	-0-	-0-	-0-
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	36.0	15.5	15.5	2.0	-0-	-0-

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

REVENUE FUND SOURCE: (See assumptions)	36.0	15.5	15.5	2.0	-0-	-0-
--	------	------	------	-----	-----	-----

FUNDING:

(Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF	36.0	(36.0)				
1005 GF/Program Receipts		51.5	15.5	2.0	-0-	-0-
1006 GF/MHTIA						
Other Dividend Fund 1050						
TOTAL	36.0	15.5	15.5	2.0	-0-	-0-

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

Estimate of current year (FY94) impact: \$ -0-

ANALYSIS:

See pages 2 - 3.

Changes in SOS CSHB 364 (STA)
reflect NO FISCAL CHANGE from the original
fiscal note. This fiscal note is appropriate.

5-10-94 date Frank Comm. Aide (initial)

Prepared by:

Thomas C. Williams

Division:

Permanent Fund Dividend

Phone: 465-2323

Approved by Commissioner:

[Signature]

Date: 05-06-94

Agency:

Department of Revenue

Date: 5/6/94

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ALASKA DEPARTMENT OF REVENUE
PERMANENT FUND DIVIDEND DIVISION

ANALYSIS OF HB 364 (FIN)

As of May 6, 1994

Assumptions: This fiscal note is based on the following assumptions:

1. These are the only two Permanent Fund Dividend checkoffs that will become law.
2. A two-part yes or no question asking if an individual wanted to donate \$10 to each account would be added to the application requiring an enlargement of the application page size. The contribution options would be listed in the order in which they appear in the legislation. A two or three line explanation of each checkoff option would be included in the household application booklet instructions.
3. Programming changes will be a one-time cost. Ongoing maintenance of new programs would be accomplished by existing staff. The computer system will need to be changed to account for the change in the program, to establish new accounting controls, and to provide for the transfer of funds to the special contribution accounts.
4. The cost of data capture and the data processing chargeback would be continuing. Two Data Processing Clerk I positions would be required for one additional month to assist in the additional data capture and verification of 560,000 applications. This would require changing two 3-month short term temporary positions to two 4-month long term temporary positions.
5. Garnishments, attachments and levies would take precedence, in the order established by statute, over contributions. The PFD Division would only honor contributions to the extent that an individual's permanent fund dividend has not otherwise been garnished, attached or levied. If the applicant had less than \$20 left after garnishment or levy of the dividend, the PFD Division would honor only the first contribution requested. If an individual applicant had less than \$10 left after garnishment or levy of their dividend, the PFD division would not honor applicant's request for either contribution.
6. Applicants will be advised that contributing to either option will disqualify them from having their dividend directly deposited.
7. The PFD Division would transfer contributions made by applicants to special accounts maintained by the fiscal section of the department's Administrative Service Division.
8. No administrative costs can be recovered until the distribution of the 1995 dividend, which will not occur until FY 96. Accordingly, a General Fund appropriation to fund the FY 95 administrative costs will be required. In FY 96, program receipts would

ALASKA DEPARTMENT OF REVENUE
 PERMANENT FUND DIVIDEND DIVISION
ANALYSIS OF HB 364 (FIN)
 As of May 6, 1994

be used to repay the FY 95 General Fund appropriation. If fewer than 1,550 individuals elect to contribute \$10 of their 1995, 1996 or 1997 dividend to one of the checkoff programs, the Department will request a General Fund appropriation for FY 96, FY 97 and FY 98 to cover the unpaid administrative costs for those years.

9. The Administrative Services Division would be responsible for timely issuing to the appropriate recipient the unexpended balance accumulated in the contribution accounts.

Cost Summary

1. <u>Personal Services</u>	<u>FY 95</u>	<u>FY 96</u>
Change two 3-month short term Range 8 PPT Data Processing Clerk I positions to two 4-month long term positions at a marginal cost of \$3,686 per position.	<u>\$ 7.4</u>	<u>\$ 7.4</u>
2. <u>Contractual Services</u>		
a. Programming Services (300 hours x 75/hr.)	22.5	-0-
b. Data Processing Chargeback	3.0	5.0
c. Additional postage required for bulk mail of booklet	<u>2.1</u>	<u>2.1</u>
<u>Total Contractual Services</u>	<u>27.6</u>	<u>7.1</u>
3. <u>Supplies</u>		
Microfilm and diazo	<u>1.0</u>	<u>1.0</u>
<u>Total Cost</u>	<u>\$ 36.0</u>	<u>\$ 15.5</u>

ALASKA STATE LEGISLATURE
HOUSE BILL NO. 364

HISTORY IN THE HOUSE

1994
Read first time and referred to:
MLV. FIN

1/12

2/14 MLV RPT CS() New Title
1 DP 0 DNP 2 NR 1 AM
FN 1 OFN Previous FN

5/7 FIN RPT CS(FIN) New Title
2 DP 1 DNP 5 NR 1 AM
1 FN OFN Previous FN

RPT CS() New Title
DP DNP NR AM
FN OFN Previous FN

5/7 Read second time
CS(FIN) Adopted

5/7 Amended (Title am)

5/7 Advanced

5/7 Read third time

Return to second for specific amendment

5/7 PASSED EFD Same or
Yeas 27 Yeas
Nays 12 Nays
Excused 1 Excused
Absent 0 Absent

Intent adopted

5/7 Reconsideration MacKie
5/7 Reconsideration ~~not~~ taken up

5/7 PASSED ON RECON. EFD Same ___ or
Yeas 26 Yeas 34
Nays 13 Nays 5
Excused 1 Excused 1
Absent 0 Absent 0

Intent adopted

5/7 Reported correctly engrossed
Signed by Speaker, to the Senate
Suzi Lowell
Chief Clerk of the House

HISTORY IN THE SENATE

1994
Read first time and referred to:
5/8 5/8 FIN

5/10 STA RPT(VS) CS DP 2 NR DNP LOM
 New Title Same Title Previous FN
FN OFN To FIN

RPT() CS DP NR DNP AM
New Title Same Title Previous FN
FN OFN To

RPT() CS DP NR DNP AM
New Title Same Title Previous FN
FN OFN To

Rules Calendar() CS AM Other
New Title Same Title Previous FN
FN OFN

Read second time

CS Adopted () New Title
Amended Advanced

Read third time

Letter of Intent adopted
Return to second for specific amendment

PASSED EFD Same ___ or
Yeas Yeas
Nays Nays
Excused Excused
Absent Absent

Reconsideration
Reconsideration not taken up

PASSED EFD Same ___ or
Yeas Yeas
Nays Nays
Excused Excused
Absent Absent

Reported correctly engrossed
Signed by President, to the House

Secretary of the Senate

SENATE CONCURRENT RESOLUTION NO. 26
IN THE LEGISLATURE OF THE STATE OF ALASKA
EIGHTEENTH LEGISLATURE - SECOND SESSION

BY THE SENATE STATE AFFAIRS COMMITTEE

Introduced: 5/10/94
Referred: Finance

A RESOLUTION

1 Suspending Uniform Rules 24(c), 35, 41(b), and 42(e) of the Alaska State
2 Legislature concerning House Bill No. 364, relating to contributions from
3 permanent fund dividends.

4 BE IT RESOLVED BY THE LEGISLATURE OF THE STATE OF ALASKA:

5 That under Rule 54 of the Uniform Rules of the Alaska State Legislature, the
6 provisions of Rules 24(c), 35, 41(b), and 42(e) of the Uniform Rules, regarding changes to the
7 title of a bill, are suspended in consideration of House Bill No. 364, relating to contributions
8 from permanent fund dividends.

ALASKA STATE LEGISLATURE
HOUSE BILL NO. 364

HISTORY IN THE HOUSE

1994
1/12
2/14
5/7
5/7
5/7
5/7
5/7
5/7
5/7
5/7
5/7
5/7
5/7

Read first time and referred to:
MLV. FIN

MLV RPT CS() New Title:
1 DP 0 DNP 2 NR 1 AM
FN 1 OFN Previous FN

Fin RPT CS(Fin) New Title
2 DP 1 DNP 5 NR 1 AM
1 FN OFN Previous FN

RPT CS() New Title
DP DNP NR AM
FN OFN Previous FN

Read second time
CS(Fin) Adopted

Amended (Title am)

Advanced

Read third time

Return to second for specific amendment

3/7 PASSED EFD Same or
Yeas 27 Yeas
Nays 12 Nays
Excused 1 Excused
Absent 0 Absent

Intent adopted

5/7 Reconsideration made
5/7 Reconsideration ~~not~~ taken up

5/7 PASSED ON RECON. EFD Same ___ or
Yeas 26 Yeas 34
Nays 13 Nays 5
Excused 1 Excused 1
Absent 0 Absent 0

Intent adopted

5/7 Reported correctly engrossed
Signed by Speaker, to the Senate
Suzi Lowell
Chief Clerk of the House

HISTORY IN THE SENATE

1994
5/8
5/10

Read first time and referred to:
5/8 SAFIN

5/10 STA RPT(VS) CS DP 2 NR DNP 10 AM
 New Title Same Title Previous FN
FN OFN To FIN

RPT() CS DP NR DNP AM
New Title Same Title Previous FN
FN OFN To

RPT() CS DP NR DNP AM
New Title Same Title Previous FN
FN OFN To

Rules Calendar() CS AM Other
New Title Same Title Previous FN
FN OFN

Read second time
CS Adopted () New Title
Amended Advanced

Read third time
Letter of Intent adopted
Return to second for specific amendment

PASSED EFD Same ___ or
Yeas Yeas
Nays Nays
Excused Excused
Absent Absent

Reconsideration
Reconsideration not taken up

PASSED EFD Same ___ or
Yeas Yeas
Nays Nays
Excused Excused
Absent Absent

Reported correctly engrossed
Signed by President, to the House
Secretary of the Senate

HOUSE-SENATE HISTORY Continued

19

Received from the Senate _____

Concur in Senate amendment
 Y ___ N ___ E ___ A ___
 _____ Efd same or Y ___ N ___ E ___ A ___

Failed to concur Senate amendment, ask Senate recede
 Y ___ N ___ E ___ A ___

Senate failed to \ receded from amendment
 Y ___ N ___ E ___ A ___

CC appointed by House _____ Chair

CC appointed by Senate _____ Chair

(H) Granted Limited Powers of Free Conference

(S) Granted Limited Powers of Free Conference

19

(H) Adopted CC Rpt _____
 Y ___ N ___ E ___ A ___
 _____ Efd same or Y ___ N ___ E ___ A ___

(S) Adopted CC Rpt _____
 Y ___ N ___ E ___ A ___
 _____ Efd same or Y ___ N ___ E ___ A ___

To enrolling
 Reported enrolled and sent to Governor

_____ By Governor

Chapter Number _____

Filed with Lieutenant Governor

HVB

369

HFIN

FILE

FISCAL NOTE

No. 1
 Bill Version: CSHB 369(STA)
 (H) Publish Date: 3/14/94

STATE OF ALASKA
1994 LEGISLATIVE SESSION

BILL NO.

Revision Date: _____ Dept. Affected: Revenue
 Title: State leases and lease-purchase and lease-financing agreement BRU: Treasury
 Component: Treasury
 Sponsor: House Rules by Request
 Requestor: House State Affairs COMPONENT SERIAL NO. 121

Expenditures/Revenues: (Thousands of Dollars)

OPERATING	FY95	FY96	FY97	FY98	FY99	FY00
PERSONAL SERVICES	0	0	0	0.0	0.0	0.0
TRAVEL				0.0	0.0	0.0
CONTRACTUAL	0	0	0	0.0	0.0	0.0
SUPPLIES	0	0	0.0	0.0	0.0	0.0
EQUIPMENT	0	0	0	0.0	0.0	0.0
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS				0.0	0.0	0.0
TOTAL OPERATING	0	0	0	0.0	0.0	0.0

CAPITAL						
----------------	--	--	--	--	--	--

REVENUE FUND SOURCE:	0.0	0.0	0.0	0.0	0.0	0.0
-----------------------------	-----	-----	-----	-----	-----	-----

FUNDING: (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF	0.0	0	0	0.0	0.0	0.0
1005 GF/Program Receipts						
1006 GF/MHTIA						
Other 1016 Fed Incent						
TOTAL	0.0	0	0	0.0	0.0	0.0

POSITIONS:

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

Estimate of current year (FY94) impact: \$ 0.0

ANALYSIS: (Attach a separate page if necessary.)

Any activity that would result from this bill would be routed through the debt manager in the Treasury Division. Financing costs such as underwriter fees, financial advisor fees, printing costs, etc. would be funded through issuance costs with the financing transaction. The debt manager's position is already funded through the General Fund.

Prepared by: Laraine L. Derr, Deputy Commissioner Phone: 465-4880
 Division: Treasury Division Date: _____
 Approved by Commissioner: Darrel J. Rexwinkel Date: 3/4/94
 Agency: Department of Revenue

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FISCAL NOTE

No. 2
 Bill Version: CSHB 369 (STA)
 (H) Publish Date: 3/14/94

**STATE OF ALASKA
 1994 LEGISLATIVE SESSION**

Revision Date: _____ Dept. Affected: Administration
 Title: An Act relating to state leases and to state BRU: Leasing & Facilities
lease-purchase and lease-financing agreements... Component: Leasing
 Sponsor: House Rules Committee
 Requestor: _____ COMPONENT SERIAL NO. 81

Expenditures/Revenues: (Thousands of Dollars)

OPERATING	FY 95	FY 96	FY 97	FY 98	FY 99	FY 00
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	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 FUND SOURCE:	0	0	0	0	0	0
-----------------------------	---	---	---	---	---	---

FUNDING:

1002 Federal Receipts	0	0	0	0	0	0
1003 GF Match	0	0	0	0	0	0
1004 GF	0	0	0	0	0	0
1005 GF/Program Receipts	0	0	0	0	0	0
1006 GF/MHTIA	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

Estimate of current year (FY94) impact: \$ -0-

ANALYSIS: (attach a separate page if necessary.)

This bill has minimal fiscal impact to the leasing budget.

Prepared By: Dugan Petty, Director *DP*
 Division: General Services

Phone: 465-2250
 Date: _____

Approved by Commissioner: Nancy Bear Usura
 Agency: Department of Administration

Date: 3-28-94

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COMMITTEE COPY

STATE OF ALASKA
1994 LEGISLATIVE SESSION

FISCAL NOTE

No. 3
Bill Version: CSHB 369 (STA)
(H) Publish Date: 3/14/94

Revision Date:

Department Affected: **University of Alaska**

Title: **State leases and lease purchase financing**

BRU: **all**

Component:

Sponsor: **Leg. Budget and Audit**

Requestor: **State Affairs**

COMPONENT SERIAL NO.

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY95	FY96	FY97	FY98	FY99	FY00
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL	0.0	0.0	0.0	0.0	0.0	0.0
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0

CAPITAL						
---------	--	--	--	--	--	--

REVENUE FD SOURCE						
-------------------	--	--	--	--	--	--

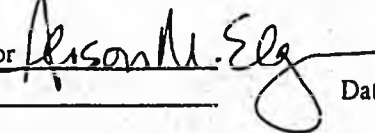
FUNDING: (Thousands of Dollars)	FY95	FY96	FY97	FY98	FY99	FY00
1002 FEDERAL FUNDS						
1003 GF MATCH						
1004 GENERAL FUND						
1006 GF/MHTIA						
OTHER						
TOTAL FUNDING	0.0	0.0	0.0	0.0	0.0	0.0

POSITIONS:	FY95	FY96	FY97	FY98	FY99	FY00
FULL-TIME						
PART-TIME						
TEMPORARY						

Estimate of current year impact: None

ANALYSIS: (Attach a separate page if necessary.)

Prepared by: John Dickinson Special Assistant Phone: 463-3086
Division: Vice President for Finance Office Date: 2/2/94

Approved by: Alison Elgee, Associate Director  Date: 2/2/94
Agency: Statewide Budget Office

Distribution (by preparer): Legislative Finance, Legislative Sponsor, Requestor, OMB, & Impacted Agency(ies).

HB

370

HFIN

FILE

HOUSE COMMITTEE REPORT

(11)

Date Referred: January 14, 1994

FURTHER REFERRALS:

Date of Committee Action: 4/8/94

The FINANCE Committee considered:

HB 370

HOUSE BILL NO. 370

APPROP: FY 95 OPERATING AND LOAN BUDGET

"An Act making appropriations for the operating and loan program expenses of state government and to capitalize funds; and providing for an effective date."

RECOMMENDATIONS:
 be replaced with CS HB 370 (FIN) the same title
 a new title

have attached amendments(s)

do pass

do not pass

no recommendations

individual recommendations

additional referral to the _____ Committee

ADOPTS: _____ letter of Intent

ATTACHES NEW FISCAL NOTE(S): (Dept) _____

APPROVES PREVIOUS: (Dept/Date) _____

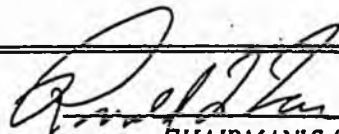
fiscal impact _____

fiscal note(s) _____

zero fiscal note _____

zero fiscal note(s) _____

SIGNING DO PASS	DP	OTHER RECO..IMENDATIONS	DNP	NR	AM
<i>Ronald Larson</i>	X				
<i>Terry Martin</i>	X				
		<i>Mark Hanley</i>			X
		<i>Lay Brown</i>			X
		<i>Edmund Maclean</i>			X
		<i>Ben Grussendorf</i>			0
		<i>Sean Parnell</i>			X
		<i>Tom Hoffman</i>			
		<i>Tom Thurnau</i>			X


 ED Maclean
 CHAIRMAN'S SIGNATURE
 Larson Maclean

Back-up



OFFICE
OF THE
CITY AND BOROUGH MANAGER

MARCH 22, 1994

MARK R. PALESH
MANAGER

TO: HOUSE FINANCE COMMITTEE

FR: MARK R. PALESH, CBJ MANAGER

RE: TESTIMONY - GOVERNOR'S PROPOSED CUTS IN STATE REVENUE
SHARING AND MUNICIPAL ASSISTANCE FOR FY 1995.

REPRESENTATIVE MACLEAN, REPRESENTATIVE LARSON, MEMBERS OF
THE HOUSE FINANCE COMMITTEE. THANK YOU FOR THE OPPORTUNITY
TO TESTIFY ON THE GOVERNOR'S PROPOSED 50% CUT IN STATE
REVENUE SHARING AND MUNICIPAL ASSISTANCE.

SINCE FY 1985 THE CITY AND BOROUGH OF JUNEAU HAS ABSORBED A 58.1%
CUT IN STATE REVENUE SHARING AND A 54.9% CUT IN MUNICIPAL
ASSISTANCE. TO MAKE UP THE DIFFERENCE, THE CBJ HAS HAD TO REDUCE
FULL-TIME EMPLOYEES AND CUT SERVICES; NOT UNLIKE OTHER ALASKA
MUNICIPALITIES.

IN FY 1994, STATE REVENUE SHARING AND MUNICIPAL ASSISTANCE WAS
CUT BY 7%, AND POLICE JURISDICTION, FOR THAT AREA NORTH OF THE
MENDENHALL RIVER, WAS GIVEN OVER TO THE CBJ. THIS RESULTED IN NO
WAGE INCREASES FOR PERSONNEL AND A 17% INCREASE IN THE POLICE
BUDGET FOR ADDITIONAL PERSONNEL; YOU CAN'T NOT PROVIDE MINIMUM
POLICE SERVICE.

IN A FEW DAYS, THE MANAGER'S BUDGET IS DUE BEFORE THE CBJ
ASSEMBLY, AND SOME ASSUMPTIONS HAVE HAD TO BE MADE; ONE IN
PARTICULAR, THAT ONLY A 15% CUT IN STATE AID WOULD ULTIMATELY BE
ADOPTED. THIS WOULD RESULT IN BETWEEN 6 AND 10 EMPLOYEE LAYOFFS,
NO EMPLOYEE SALARY INCREASE FOR THE SECOND YEAR IN A ROW, AND A
PROPERTY TAX INCREASE.

SHOULD THE PROPOSED 50% CUTS BE ADOPTED, THE ALREADY ANTICIPATED
PROPERTY TAX INCREASE WOULD EITHER HAVE TO EXPAND THREE-FOLD, OR
ADDITIONAL SERVICE CUTS MADE. AS AN EXAMPLE, IF TAXES WERE
RELIED UPON SOLELY, THE MILL LEVY WOULD INCREASE BY 1.55 MILLS,
OR \$214.38 FOR THE AVERAGE HOUSEHOLD. CUTS IN LIEU OF A TAX
INCREASE, WOULD BE BEYOND QUALITY OF LIFE PROGRAMS, BUT START
AFFECTING INFRASTRUCTURE MAINTENANCE AND POSSIBLY HEALTH AND
SAFETY ISSUES. I HAVE ATTACHED APPROPRIATE FISCAL NOTES TO MY
COMMENTS AS BACKUP MATERIAL.

IF IT IS THE INTENT OF THE STATE TO EVENTUALLY ABOLISH THE STATE
REVENUE SHARING AND MUNICIPAL ASSISTANCE PROGRAMS, AS SEEMS TO BE
THE TREND, WE WOULD ASK YOU TO CONSIDER THREE THINGS:

1) ESTABLISH A MULTI-YEAR PHASE-IN POLICY FOR ANY AID PROGRAM CUTS,

Page 2
Testimony

TO ALLOW MUNICIPALITIES TIME TO PLAN AHEAD; 2) EXERCISE RESTRAINT ON PASSING ANY LEGISLATION WHICH WOULD IMPACT MUNICIPALITIES, WITHOUT FIRST ADDRESSING THEIR FISCAL IMPACT; 3) DO NOT TIE THE HANDS OF LOCAL GOVERNMENT IN THEIR ABILITY TO IMPOSE APPROPRIATE TAXES AND FEES (FLIGHTSEEING BILL).

WE DO NOT OPPOSE "BELT-TIGHTENING" AT ALL LEVELS OF GOVERNMENT; IT CAN BE VERY FISCALLY THERAPEUTIC. HOWEVER, MUNICIPALITIES CAN BE VERY INNOVATIVE IN COPING WITH THEIR OWN PROBLEMS. PLEASE ALLOW US THE TIME TO DO SO AND TO BECOME PART OF THE SOLUTION.

THANK YOU FOR ALLOWING US THIS OPPORTUNITY.

Attach 1 - Finance Director's Letter, 03/21/94

TO: Mark Palesh
City Manager

DATE: March 21, 1994

FROM: Craig Duncan
Finance Director

SUBJECT: Effect of Proposed Governors Reductions to the State
Shared and Municipal Assistance Programs

Attached is revenue information on the history of these two programs. From the information you can see that Municipal Assistance and State Shared Revenues have decrease significantly since the peak revenue years of 1985 and 1986. A brief analysis of the effect of the reductions to CBJ for the last 10 years is presented below.

Municipal Assistance-

MA Changes From FY85 to FY94

1985 MA Support	\$4,200,000
1994 MA Support	<u>1,895,600</u>
Total Reduction since 1985	<u>\$2,304,400</u>

Percentage Reduction 54.9%

Mill Equivalent 1.54 mills

Tax Effect to an Average Home \$212.54

Effect of an Additional 50% MA Reduction

1994 MA Support	\$1,895,600
1995 Projected FY95 Support	<u>854,300</u>
Reduction proposed FY94 to FY95	<u>\$1,041,300</u>

Percentage Reduction 54.9%

Mill Equivalent .7 mills

Tax Effect to an Average Home \$96.60

Effect of an Additional 15% MA Reduction

1994 MA Support	\$1,895,600
1995 Projected FY95 Support	<u>1,583,200</u>
Reduction proposed FY94 to FY95	<u>\$ 312,400</u>

Percentage Reduction 16.5%

Mill Equivalent .2 mills

Tax Effect to an Average Home \$27.01

State Shared Revenue-

SSR Changes From FY86 to FY94

1986 SSR Support	\$5,709,900
1995 SSR Support	<u>2,392,500</u>
Total Reduction since 1986	<u>\$3,317,000</u>

Percentage Reduction 58.1%

Mill Equivalent 2.22 Mills

Tax Effect to an Average Home \$305.94

Effect of an Additional 50% SSR Reduction

1994 Support	\$2,392,500
1995 Projected FY95 Support	<u>1,115,500</u>
Reduction proposed FY94 to FY95	<u>\$1,277,000</u>

Percentage Reduction 53.4%

Mill Equivalent .85 Mills

Tax Effect to an Average Home \$117.78

Effect of an Additional 15% SSR Reduction

1994 Support	\$2,392,500
1995 Projected FY95 Support	<u>2,009,400</u>
Reduction proposed FY94 to FY95	<u>\$ 383,100</u>

Percentage Reduction 16.0%

Mill Equivalent .26 Mills

Tax Effect to an Average Home \$35.33

REVENUE SOURCE NARRATIVE AND ANALYSIS

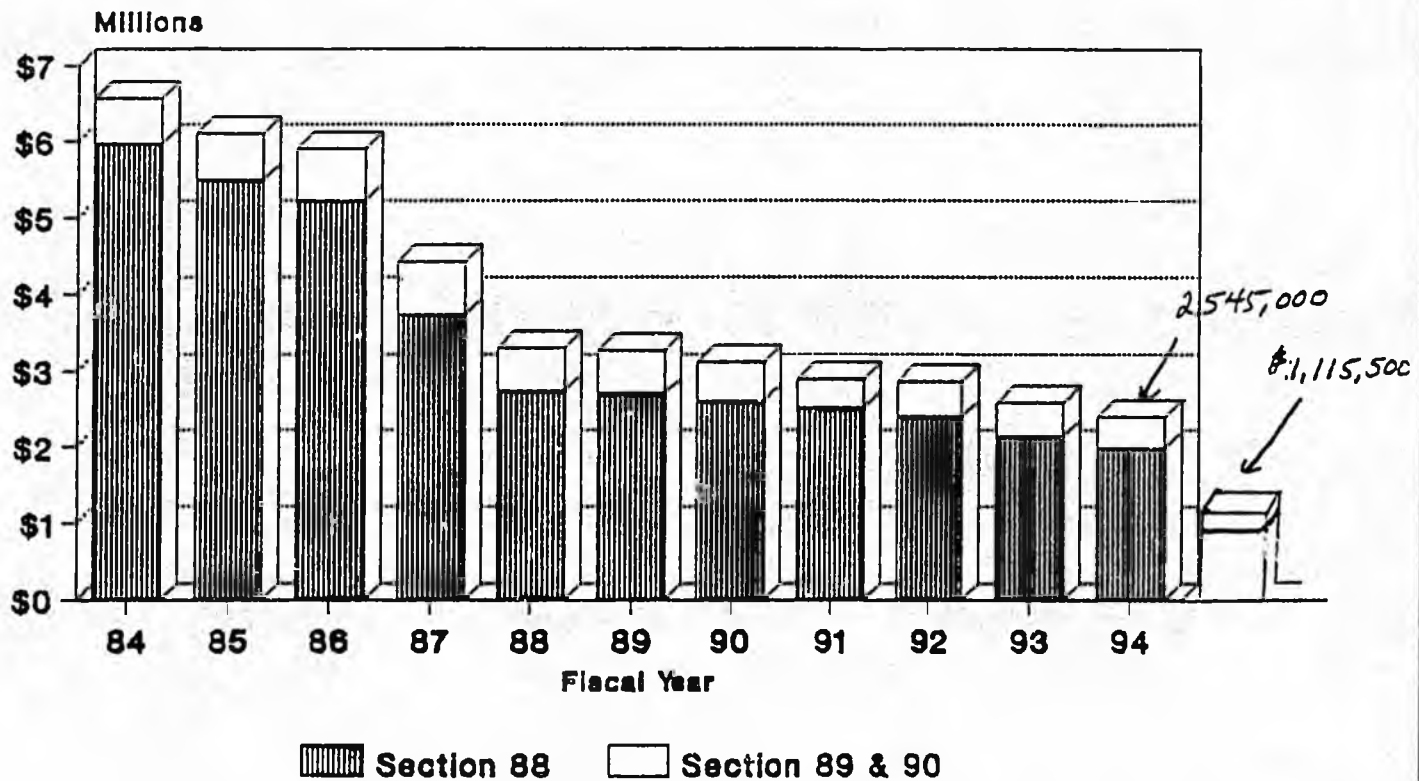
STATE-SHARED REVENUE SHARING

This program is divided into the following two components:

1. Municipal Tax Resource Equalization Entitlement (Section 88) - Each fiscal year the state shall compute an equalization entitlement for services provided by a taxing unit. This is determined by the application of a formula that is based on the population, relative ability to generate revenue and local burden of the taxing unit compared on a statewide average. Money to carry out this program shall be appropriated annually by the state.

STATE-SHARED REVENUE HISTORY

FY84-93 are based on actual revenue collected.
FY94 is the budget projection.



An equalization entitlement may be used only for authorized expenditures of the taxing unit, but up to 15% of the payment generated by areawide revenue may be used for non-areawide purposes at the discretion of the Assembly.

2. Specific Categorical Entitlements (Sections 89 and 90) - The state shall pay aid for (a) roads at \$2,500 a mile; (b) hospital facilities at \$1,000 per bed or \$150,000 a hospital; (c) health facilities at \$2,000 per bed or \$8,000 per health facility; and (d) hospital construction at \$2,500 a bed or 5% of the total project cost. Monies to carry out the programs must be appropriated annually by the state. If 100% funding is not available to carry out the programs, distribution will be made on a prorated basis.

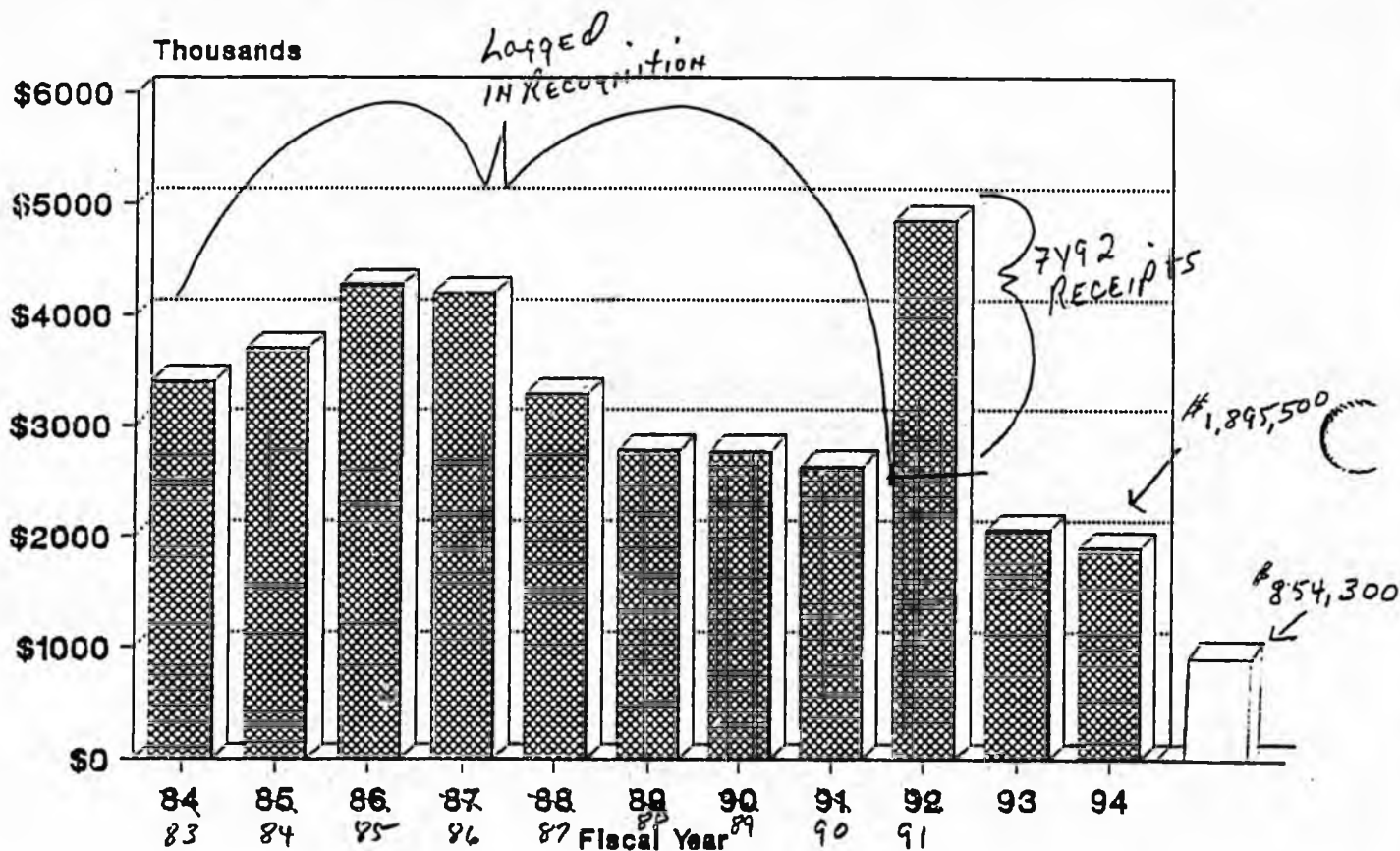
REVENUE SOURCE NARRATIVE AND ANALYSIS

MUNICIPAL ASSISTANCE

The Legislature adopted new statutes (AS 43.20.016) in Chapters 144 SLA 1978 which provides that the Legislature may appropriate to a municipal assistance fund in an amount equal to, or greater than, 30% (10% prior to the 1982 legislative session) of the corporate income tax and the oil and gas corporate income tax received by the

MUNICIPAL ASSISTANCE REVENUE HISTORY

FY84-93 are based on actual revenue collected.
FY94 is the budget projection.



State of Alaska during the preceding year. The amount appropriated to the fund is distributed to municipalities in a base amount, with excess funds being distributed on a population basis. The base amount to be equal to the amount received by the City and Borough during Fiscal Year 1978.

Prior to FY92, Municipal Assistance revenue was recognized on a lag basis. During FY92, the City and Borough recorded a one-time adjustment to allow recognition of Municipal Assistance in the year that the payment is received from the State of Alaska. FY92 revenue includes Municipal Assistance payments received in February 1991 and February 1992. The one-time adjustment increased the General Fund fund balance for FY92 creating a larger fund balance going into FY93.

FTE'S FY86 - FY92

	FY 92 FTE'S	FY 91 FTE'S	FY 90 FTE'S	FY 89 FTE'S	FY 88 FTE'S	FY 87 FTE'S	FY 86 FTE'S
ADMINISTRATION	20.50	20.25	18.75	18.75	19.25	22.00	20.00
LIBRARY	20.36	18.95	18.62	19.12	18.25	21.50	22.50
AIRPORT	17.94	17.91	17.65	16.65	17.50	15.60	19.60
ATTORNEY	7.00	7.25	7.00	7.00	6.00	6.00	6.00
COMMUNITY DEVELOPMENT	13.00	13.00	11.50	12.00	12.00	12.50	15.50
ENGINEERING	28.00	27.50	26.50	26.50	27.75	39.50	46.00
FINANCE	42.07	42.07	40.07	40.07	40.10	46.75	49.50
FIRE	36.00	37.00	37.00	37.00	37.00	38.00	38.00
HEALTH & SOCIAL SERVICE	56.08	52.55	47.36	43.33	39.30	39.30	43.10
PARKS & RECREATION	48.41	48.73	45.54	46.23	41.80	46.80	42.95
POLICE	56.07	55.50	55.50	55.50	55.00	55.50	59.50
PUBLIC WORKS	119.45	118.17	116.89	112.85	108.35	110.50	122.90
	464.88	458.88	442.38	435.00	422.30	453.95	485.55
FY '86 -'90 AVERAGE EQUALS 100.	103.8%	102.5%	98.8%	97.1%	94.3%	101.4%	108.4%

1992, 1991, 1990, 1989 PREPARED FROM STAFFING SCHEDULES IN THE OFFICE OF PERSONNEL MANAGEMENT

1988, 1987, 1986 INFORMATION PROVIDED BY THE FINANCE DEPARTMENT

22 Mar 94

TESTIMONY ON THE EFFECTS OF THE GOVERNOR'S
PROPOSED FIFTY PER CENT CUTS IN FUNDING FOR
STATE REVENUE SHARING AND MUNICIPAL
ASSISTANCE IN FISCAL YEAR 1995

Needless to say any cut, be it in operational funding or capital funding, has an immediate and negative impact on a community. However, this is particularly true when considering operational funding. Capital projects can often times be delayed, or alternative funding can be sought, but significant reductions in operational revenues do not have readily available alternatives. The only two ways that a shortfall in operational funding can be addressed is by increased local revenues by raising fees and taxes, by expanding the tax base or fee structure, or by reducing locally mandated services. Neither option has a great deal of appeal.

In the first instance the local unit of government faces the prospect of placing a greater tax burden on local citizens to make up the difference in reduced state funding while enforcing state mandated local tax relief granted to a select portion of the population. The second option is to seek means to reduce expenditures which can adversely effect the level and quality of public services. In some instances this can even result in the elimination of services that the community has come to expect of government.

The Ketchikan Gateway Borough went through a significant reduction last year when it had to reduce its general fund operational budget by over 1.7 million dollars. This was partially the result of the sixteen per cent reduction in Municipal Assistance and State Revenue Sharing that we experienced last year. The presently proposed fifty per cent reduction in these funding sources will require further cuts in service some of which are already below optimal levels. A community's budget can not sustain a reduction of state revenue of over sixty per cent in two years and not have it adversely effect that community.

The decline of federally funded programs, the tightening of state purse strings, and local concern over tax rates and user fees already have communities reeling under the pressure to sustain and even enhance the demand for and level of public services. Local government experience with fiscal crises and strain has become more prevalent in recent years and seems to be exacerbated under the governor's proposal. Communities have already had to face difficult choices as they consider means for increasing existing revenues, creating new revenues, or reducing services. The Governor's proposal to reduce community funding by fifty per cent next year makes these choices even more difficult and the timing seems

to be ill-advised. If the state is intent on imposing this significant reduction in funding local activities it should be more reasonably phased over a longer period of time.

Communities are constantly having to seek new sources of revenue and ways to maximize existing sources. Since the Governor's intent seems to minimize the state's future support of local government, it would seem reasonable and equitable to allow the communities to plan for this significant reduction of state support. This could be accomplished by indicating the need for this new policy and give communities adequate time to adjust to this reduction of state support.

Local governments are required by law to have a balanced budget. In order to develop that budget, communities must project anticipated income. In order to reasonably project that income reliable information on funding source policy and funding authority need to be in place. Since we, like the state, are currently attempting to develop our budgets we need to have the time necessary to try to identify the means in which we may be able to offset this unanticipated shortfall in state funding.

We encourage the Governor to reconsider this drastic reduction of state funding by cutting back on his reduced funding formula to, as an example, fifteen per cent reduction instead of fifty per cent and, further, to articulate his proposed policy for future state funding of the Municipal Assistance and State Revenue Sharing programs.

Jim Carlton
Ketchikan Gateway Borough Mayor

Rep. Ron Larson
Co-Chair, House Finance Committee
AK State Legislature

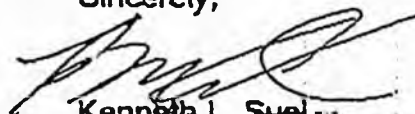
Members of the House Finance Committee:

Having served in my local community for over 15 years in all administrative capacities, currently as a City Councilmember, I view the proposed cuts in Revenue Sharing and Municipal Assistance with dismay and alarm. At present, our City government is unable to cope with the increased demands to comply with State regulation at all levels along with the decreases in State funds we have already suffered over the last eight years. We have now only a part-time City Clerk/administrator while many administrative duties have become the volunteer efforts of individual Councilmembers who assist with paperwork, maintenance and public works while working fulltime elsewhere. Two other part-time paid employees provide minimal, necessary janitorial and public works services. This temporary, patchwork skeleton of City government in Chuathbaluk has nearly lead to loss of the community laundromat and showers, to disrupted mail service, to loss of the community's major watering point, and to inadequate maintenance of the landfill dump and the sewage lagoon--in a community without residential water and sewer. The public library was closed over a year ago. Current limited funds are budgeted to keeping the City Office open half-days, handling essential paperwork, and providing the barebones basic services. Unexpected and costly emergency repairs or the inevitable loss of the temporary volunteer supervisors will certainly lead to disaster.

State policy decisions in the last decade have raised the level of expectation that rural residents will share the benefits and responsibilities of State planning to solve local problems. Unfortunately, the level of benefit is not keeping pace with the burden of responsibility placed upon the our few volunteers who are determined to keep alive a basic organizational structure that provides critical services to ever-demanding State agencies as well as to local residents.

I must emphasize that the level of present State spending for Revenue Sharing and Municipal Assistance is not keeping local government healthy, it is just keeping it alive. Funding cuts such as have been proposed will delete at least one part-time position, threatening not only basic services cited above, but also the State's past investment in such worthy projects as the landfill, the sewer lagoon, the airport, and the community center (offices, clinic, laundromat). The City itself is threatened by these irresponsible proposed reductions in funding. We must point out that the ultimate costs to the local residents and to the State that result from loss of basic services in this community will be much greater than the amount "saved" by reducing current funding to local government.

Sincerely,



Kenneth L. Suel
Chuathbaluk AK
March 22, 1994

cc:
Rep. Irene Nicholia
Sen. Georgianna Lincoln
Rep. Ramona Barnes,
Speaker of the House

Municipality of Anchorage



P.O. BOX 196650
ANCHORAGE, ALASKA 99519-6650
TELEPHONE: (907) 343-4431
FAX: (907) 272-1991

Tom Fink, Mayor

OFFICE OF THE MAYOR

March 21, 1994

The Honorable Ron Larson, Co-Chair
House Finance Committee
Alaska State Capital
Juneau, AK 99801

Dear Representative Larson:

I am deeply concerned with the proposal to slash FY 95 State Revenue Sharing and Municipal Assistance revenues by half from the FY 94 levels. These kinds of huge cuts, added to the disproportionate reductions in these revenues in the last several years, would be devastating to all municipalities and cities around Alaska.

Attached is a description of the programs and services impacting Anchorage residents that would most likely be reduced or eliminated if the Governor's proposed budget prevails. These cuts are based on our 1994 budget process; however, a new public hearing process could result in some changes. Without doubt, however, any reduction in State revenues will mean reductions in services and elimination of programs.

If falling State revenues require the reduction of the State government budget, I feel that it is only fair for local governments to share in that reduction. However, the current trend for the State to balance its budget on the backs of local governments by disproportionate reductions in State Revenue Sharing and Municipal Assistance is inequitable and only serves to increase the pressure on local budgets.

It has been inferred by some that State Revenue Sharing and Municipal Assistance have been targeted for disproportionate cuts since such programs are unique to Alaska. This is not so. Alaska is not alone in sharing state-collected revenues with its local governments as is discussed in more detail in the attached material.

Since Alaska communities have taken such a disproportionate reduction in State revenues in recent years, I ask that the FY 95 funding for State Revenue Sharing and Municipal Assistant remain at the FY 94 level.

Sincerely,

Tom Fink
Mayor

cc: Anchorage Caucus

corres2\1tf06

Post-It™ brand fax transmittal memo 7671		# of pages > 10
To <i>Ron Larson</i>	From <i>Mayor Fink</i>	
Co.	Co.	
Dept.	Phone # <i>343-4496</i>	
Fax # <i>465-2293</i>	Fax # <i>343-4110</i>	

IMPACTS OF GOVERNOR'S PROPOSED FY95 STATE OPERATING BUDGET
ON THE MUNICIPALITY OF ANCHORAGE

A. THE ANCHORAGE BUDGET

In 1986, Anchorage received \$55.7 million in State Revenue Sharing and Municipal Assistance revenues for purposes of funding its operating budget. In 1993, we received only \$28.6 million. Based on the Governor's Proposed FY 95 State Operating Budget, these amounts would be further reduced to \$22.0 million in 1994 and \$13.3 million in 1995. These falling state revenues combined with falling federal revenues and increasing labor costs put pressures on the Anchorage budget.

In recent years we have been able to produce a balanced budget with essential services funded at a continuation level. In order to stay within available revenues, we have taken positive actions to hold down the costs of running the city. In addition to certain wage and benefit concessions, much of these savings resulted from positive actions taken by Municipal departments such as:

- consolidated functions/reorganizations
- eliminated "nice to do"/"nice to have" functions
- more efficient operation
- hiring freezes
- reduced workforce
- reduced lower-priority services
- budget management that has produced savings from amounts budgeted

Our options will be more limited for future budget reductions. It seems clear that reductions to lower priority services throughout Anchorage government will have to be made. In recent past years, we have been able to minimize reductions in essential police, fire, emergency medical, road maintenance, and health programs and services. However, with the magnitude of the state revenue reductions proposed by the Governor, these programs and services can no longer be spared.

B. GOVERNOR'S PROPOSED STATE REVENUE REDUCTIONS

The Governor's Proposed FY95 State Operating Budget includes reductions in funding for the following major programs which would result in the indicated estimated annual revenue reductions to Anchorage:

State Revenue Sharing	\$ 5,254,000
Municipal Assistance	8,765,000
Senior Citizens Property Tax Exemption	802,000
	<u>\$14,821,000</u>

Due to the timing of when the revenues are received by Anchorage from the State, the reduction in Anchorage's calendar year 1994 budget would be \$5,254,000 while the reduction in the calendar year 1995 budget would be \$14,821,000, assuming no further State Revenue Sharing reduction is made during the 1995 legislative session.

Anchorage's budget is on a calendar year basis. Since legislative and possible Governor's veto actions will probably not be completed until late June 1994, we will be half through the 1994 budget before we know the amount of any reduction in state revenues. In reality, about \$10.5 million (double the \$5,254,000) in annualized cuts would have to be made in 1994 with the remainder of the cuts made in 1995.

C. POTENTIAL AREAS OF ANCHORAGE SERVICE REDUCTIONS

Based on the priorities in our 1994 operating budget, the following programs and services directly impacting Anchorage residents would likely be candidates for reduction or elimination if the Governor's proposed budget prevails:

- Reduce Police Crime Prevention Program by 85%
- Reduce Police K-9 Unit by 50%
- Reduce Police Property Crimes Unit by 52%
- Reduce Community Services Patrol Officers by 33%
- Reduce Police Forensic processing of evidence by 40%
- Reduce Police internal investigations staff by 50%
- Reduce Police Person Crimes Unit by 13%
- Reduce Police Narcotics Enforcement by 23%
- Reduce Police Patrol Operating Unit by 5%
- Reduce Police Equipment purchases such as weapons and equipment repair
- Eliminate one engine company at downtown fire station
- Close Fire Station #10 (Rabbit Creek)
- Eliminate the fire company at Station #12 (Dimond and New Seward)
- Reduce maintenance on 5,000 streetlights
- Increase response time to public complaints concerning zoning violations
- Eliminate asphalt overlay program on city streets
- Turn off 300 amenity street lights in Spenard and Central Business District
- Eliminate oiling of 81 miles of gravel streets for dust control
- Reduce the effort to demolish dangerous buildings
- Reduce traffic signal timing improvement
- Reduce street signage and painting of lane markings
- Reduce snow-hauling of cul-de-sacs
- Eliminate 5 bus routes to South Anchorage, O'Malley, Hillside, Dimond Center areas
- Reduce repair of bus passenger shelters
- Eliminate 2 bus routes to Eagle River
- Eliminate Sunday service
- Reduce Saturday service on 13 routes
- Close Spenard and Fairview Recreation Centers
- Close Muldoon and Samson-Dimond Branch Libraries
- Eliminate funding of additional trail maintenance to the new hotel in Girdwood

- Reduce hours of operation at Loussac Library from 62 to 56 hours per week
- Eliminate enforcement of nuisance, noise and housing codes
- Reduce hours of operation of Anchorage Senior Center
- Reduce well child clinic immunizations and restrict home visit program
- Eliminate Hearing Officer Program for violations of Animal Control Ordinance
- Reduce ability to investigate complaints on Child/Adult Care Facilities
- Reduce assistance provided to the Homeless
- Eliminate oversight of both Anchorage and Chugiak Senior Centers
- Eliminate water testing related to the National Pollution Discharge Elimination System (NPDES) and Spring Clean-up
- Reduce ability to schedule Women, Infant and Children's (WIC) grant clients
- Reduce ability to assess and coordinate the medical needs of Anchorage
- Zoning and Platting applications would take six (6) months longer to process
- Wetlands permits would go from a 5 day processing time to six months
- Eliminate maintenance of the Geographic Information System Data Base used by construction contractors
- Eliminate support to Alaska Aviation Heritage Museum
- Eliminate support to Anchorage Economic Development Corporation
- Reduce support to the Alaska Center for the Performing Arts by 50%
- Reduce maintenance of parks and park facilities
- Eliminate maintenance and operational support for facilities occupied by Non-profit agencies: Grandview Gardens, Government Hill Community Center, Chugiak and Anchorage Senior Centers, Girdwood Community Center
- Snow Removal, parking lot repairs, security reduced at major public facilities: Sullivan Arena, Ben Boeke, Egan Center, ACPA, Animal Control
- Equal Rights Commission discrimination complaints will take significantly longer to investigate
- Eliminate DWI Hearing Officer Program
- Reduce the prosecution of serious Misdemeanor offenses
- Reduce funding for the Federation of Community Councils by 48%

In addition to the above direct programs and services, support will be greatly reduced in areas such as accounting, auditing, management services, training, procurement, management information systems, legal services, and various other administrative and technical areas. This will further reduce services both to the public as well as to other Municipal agencies and will result in a degradation in the timeliness and quality of Municipal services.

We estimate that about 200 Municipal employee positions will have to be eliminated in the aforementioned reductions. This will have an adverse impact on the Anchorage economy just at the time that our economy is on the rebound.

The above cuts are the most likely based on our 1994 budget process; however, a new public hearing process could result in some changes. Without doubt, however, any reduction in State revenues will mean reductions in services and elimination of programs.

D. STATE TRANSFERS TO LOCAL GOVERNMENT

Some people seem to be of the opinion that programs such as State Revenue Sharing and Municipal Assistance are unique to Alaska. This is not so. Alaska is not alone in sharing state-collected revenues with its local governments. Based on a recent Alaska Municipal League study, every state provides some means of sharing resources for the provision of basic services at the local level.

State support is the second largest source of funding for local government in the United States, representing 33.6 percent of city government general revenues nationwide according to a 1990 study by the Advisory Commission on Intergovernmental Relations. In the "Far West" states, state transfers accounted for 40.9 percent of local revenue, while in Alaska state-transferred revenues were 37 percent of Alaska local government revenue in 1990. Alaska's percent has probably dropped significantly since 1990.

State government has an obligation to share revenue generated from the state's commonly held resources and land base to help provide essential public services at the local, as well as the state, level.

In Alaska, where the state, not private interests that could be taxed by cities and boroughs, owns most of the resource-rich land, and benefits directly from it, programs for the distribution of the wealth to support locally provided services are even more appropriate and important than in many other states.

Alaska's Municipal Assistance (AS 29.60.350) and State Revenue Sharing (AS 29.60.010) programs are key mechanisms in our state for passing a portion of the state's revenues, which are mainly derived from oil, on to cities and boroughs. These programs help local governments provide basic services such as education, sanitation, public safety, and transportation. In many cases, local governments can provide basic services that are more responsive, better suited, more efficient, and better matched to community needs than programs coordinated by state government because citizens have direct and immediate access to the officials who determine policy and oversee delivery of these services. The state should recognize support of local government as a fundamental obligation comparable to support of state community service agencies and should develop a long-term program to meet this obligation reliably.

E. STATE OF ALASKA IS BALANCING ITS BUDGET ON THE BACKS OF LOCAL GOVERNMENTS

If falling State revenues require the reduction of the State government budget, we feel that it is only fair for local governments to share in that reduction. However, the current trend for the State to balance its budget on the backs of local governments by disproportionate reductions in State Revenue Sharing and Municipal Assistance is inequitable and only serves to increase the pressure on local budgets.

Municipal Assistance and State Revenue Sharing

The Governor's proposed FY 95 State Operating Budget reduces the Municipal Assistance and State Revenue Sharing appropriations by 50.1% and 48.8% respectively from the FY 94 appropriation amounts.

In 1986, the Municipality received \$55.7 million in State Revenue Sharing and Municipal Assistance revenues for purposes of funding its operating budget. In 1995, under the Governor's Proposed FY 95 State Operating Budget the Municipality will receive only \$13.3 million in State Revenue Sharing and Municipal Assistance Revenues. This represents a 76% drop in State assistance in a nine year period.

Attachment 1 shows the decreasing amounts of State Revenue Sharing and Municipal Assistance revenues that the Municipality of Anchorage has received since 1986. As these revenues decreased and labor costs increased, the property taxes paid by Anchorage residents have increased (Attachment 2).

The Municipality of Anchorage is requesting that funding for Municipal Assistance and State Revenue Sharing remain at the FY94 level. The Municipality provides critical and needed services to a multitude of Alaskans, not just those who reside within city limits. The Municipality has absorbed inflation and reduced expenditures by every means practicable since 1986, while the State budget has generally continued to grow. Attachment 3 compares the growth in the State operating budget with the reduction in State Revenue Sharing and Municipal Assistance revenues.

Municipal Assistance

A.S. 29.60.350(a) says, in part, "The legislature may appropriate to the municipal assistance fund during each fiscal year an amount equal to or greater than 30 percent of the income tax received by the State . . ."

The Municipal Assistance Program was restructured in 1978 as a means for the State of Alaska to share its oil wealth with Alaska local governments. For many years, the State funded Municipal Assistance at the minimum statutory entitlement. In recent years, however, Alaska local governments have taken a double hit in Municipal Assistance revenues. Not only have the petroleum related corporate income tax revenues gone down, the State has also reduced the percent being appropriated for Municipal Assistance.

For FY 95, the Governor's proposed Municipal Assistance appropriation is less than 9% of the prior years's corporate income tax revenues rather than the statutory 30%.

Senior Citizen/Disabled Veteran Property Tax Exemption

The Governor's proposed FY 95 State Operating Budget provides no funding for this program.

The Municipality of Anchorage continues to request full funding under this program, according to the original intent. In 1993, the Municipality exempted approximately \$7.2 million in taxes under this program and yet will only be reimbursed approximately \$0.8 million, an underfunding of over \$6.4

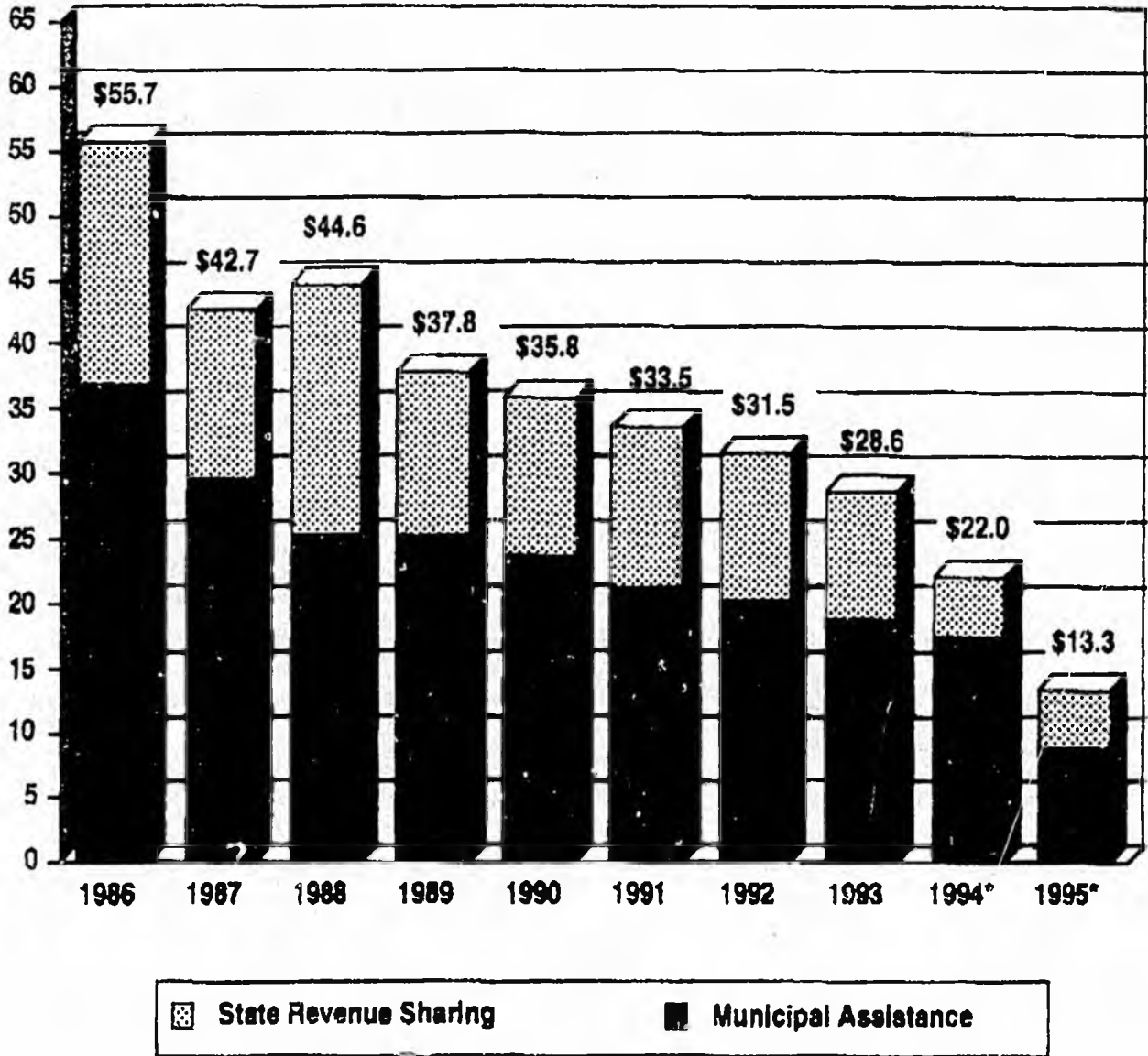
million. The Municipality has seen its revenue loss for this program increase 46% over last year. This shortfunding will have to be made up from either an increase in taxes for the remaining taxpayers or the loss of more government services. Anchorage residents cannot afford to continue to subsidize the program. The State should fully fund the exemption. If it does not, the program should be repealed or made an option of local governments.

corres2/rgd184

Prepared March 21, 1994

MUNICIPAL ASSISTANCE / STATE REVENUE SHARING TREND FOR ANCHORAGE

\$ Millions

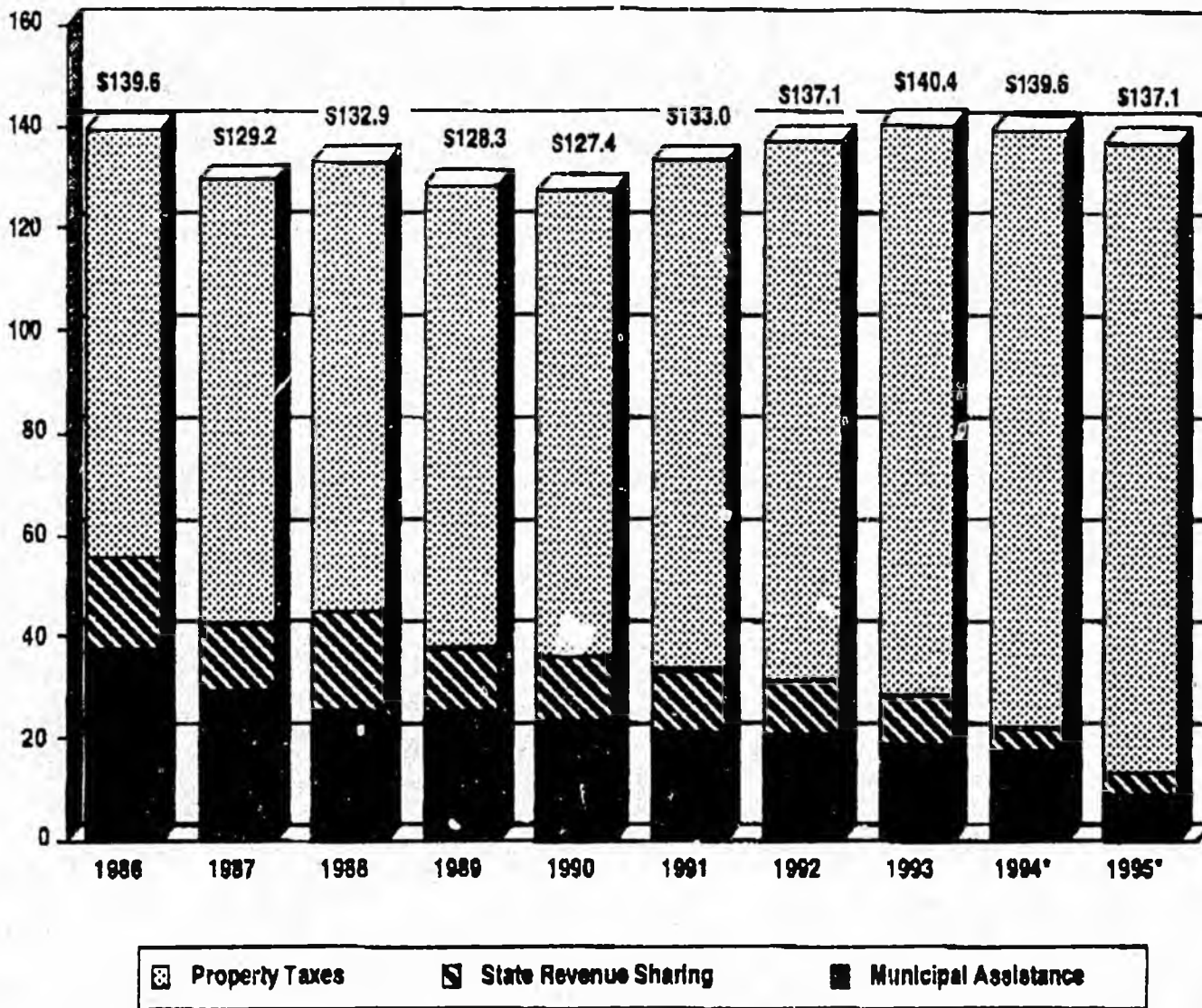


* Based on Governor's Proposed FY95 State Operating Budget.

ATTACHMENT 1

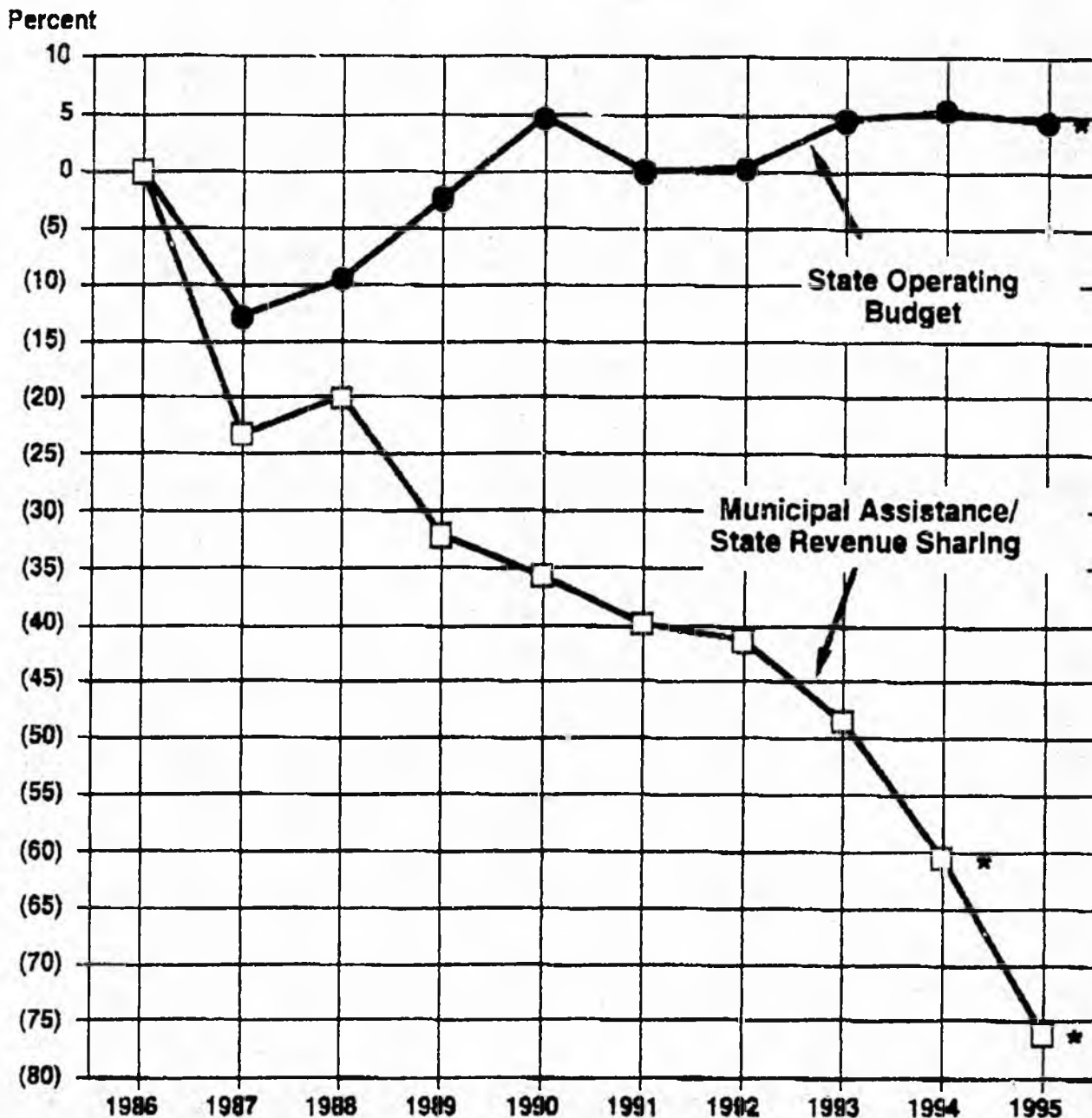
MUNICIPAL ASSISTANCE / STATE REVENUE SHARING / PROPERTY TAXES TREND FOR ANCHORAGE

\$ Millions



* Estimate; 1995 property taxes are assumed here to increase from 1994 by the same percentage as 1994 from 1993.

CUMULATIVE PERCENT OF CHANGE MUNICIPAL ASSISTANCE / STATE REVENUE SHARING PAID TO ANCHORAGE COMPARED TO STATE OPERATING BUDGET CHANGES



* Based on Governor's Proposed FY95 State Operating Budget.

ATTACHMENT 3

LTN1100-R01
03/22/94

LEGISLATIVE TELECONFERENCE NETWORK

PAGE 01
10:04:27

TCN: 40524 DATE & TIME: 03/22/94 08:30 TO 10:00 STATUS:5 IN PROG.

**** ORDER SUMMARY ****

SPONSOR: HFIN HOUSE FINANCE

CHAIRS: MACLEAN

PURPOSE: WRK WORK SESSION

LEGISLATIVE

LARSON

CONTACT: JUDY MATHIS

TEL#: (907)465-6587

CHAIRING SITE: JUNEAU

CAPITOL

CAP519

TOLL FREE: (800)478-7612

DIAL-UP:

LID:(800)478-9908

SPONSOR REMARKS(PUB): TESTIMONY:I INVITATION ONLY 3 MINUTE LIMIT

TESTIMONY BY INVITATION ONLY

SPONSOR REMARKS(LIO): BACKUP MATERIAL:Y MEETING IN PROGRESS:N MAX. SITES:24

BACK-UP FAXED 3/21.

TCN REQUESTED ON 03/22/94 AND HAS 6 UPDATES

*** AGENDA ***

1 MUNICIPAL REVENUE SHARING

*** PARTICIPATING LIOS ***

ANC ANCHORAGE	716 W 4TH, #200	LOCATION STAFF
BAR BARROW	COURTHOUSE #305	LOCATION STAFF
BET BETHEL	301 WILLOW ST.	LOCATION STAFF
FBX FAIRBANKS	119 N CUSHMAN ST	LOCATION STAFF
HOM HOMER LTC	126 W PIONEER #4	LOCATION STAFF
* JNU JUNEAU	CAPITOL CAP519	LOCATION STAFF
KOD KODIAK	112 MILL BAY RD.	LOCATION STAFF
KTN KETCHIKAN	352 FRONT STREET	LOCATION STAFF
NOM NOME	FRONT STREET	LOCATION STAFF
SEW SEWARD	2001 SEWARD HWY	LOCATION STAFF
SIT SITKA	210 LAKE STREET	LOCATION STAFF
VAL VALDEZ	STATE BLDG. #13	LOCATION STAFF

*** VOLUNTEER & OFFNET SITES ***

KOT SLW SELAWIK	IRA OFFICE	ROGER CLARK	(907)484-2132
ZZZ OF1 OFFNET 1	ANIAC	AMY LUJAN	(907)675-4481
ZZZ OF2 OFFNET 2	EEL	FRITZ WILLY	(907)536-5129
ZZZ OF3 OFFNET 3	PALMER	DON MOORE	(907)745-4801
ZZZ OF4 OFFNET 4	UNALAKLEET	BOB FOOTE	(907)624-3655
ZZZ OF5 OFFNET 5	NUALTO	ANDY DURNY	(907)898-2205
ZZZ OF6 OFFNET 6	MARSHALL	ALVIN OWLETUK	(907)679-6411
ZZZ OF7 OFFNET 7	NODALTON	TOM GREENE	(907)294-2235
ZZZ OF8 OFFNET 8	DENALI	JOHN GONZALEZ	(907)683-1330
ZZZ OF9 OFFNET 9	ANCHORAGE	NANCY CANINGTON	(907)999-9999
ZZZ 010 OFFNET 10	KATOVIK	GEORGE TAGAROOK	(907)640-6313
ZZZ 011 OFFNET 11	CHUATHBALUK	KENNETH SUEL	(907)467-4456

PARTICIPANTS IN [REDACTED] ANC

1	DAN	BOCKHORST	C&RA	TSFY. MUNICIPAL REV
			AK	(907)000-0000
2	GENE	DUSEK	MOA MOB	TSFY. MUNICIPAL REV
			AK	(907)000-0000
3	CHUCK	LANDERS	MOA ASSEMBLY	TSFY. MUNICIPAL REV
			AK	(907)000-0000

PARTICIPANTS IN [REDACTED] BAR

LTN1100-R01 LEGISLATIVE TELECONFERENCE NETWORK PAGE 02
 03/22/94 10:04:27
 TCN: 40524 DATE & TIME: 03/22/94 08:30 TO 10:00 STATUS:5 IN PROG.

PARTICIPANTS IN [REDACTED] BAR

1	MAYOR DONALD	LONG	CITY OF BARROW	TSFY. MUNICIPAL REV
	BOX 629		BARROW	AK 99723 (907)852-5211
2	MR. HAROLD L.	IVANOFF	CITY OF ATQASUK	TSFY. MUNICIPAL REV
	BOX 9		ATQASUK	AK 99791 (907)633-6811

PARTICIPANTS IN [REDACTED] BET

1	WILLIAM J.	HUNTER	CITY OF BETHEL	TSFY. MUNICIPAL REV
	PO BOX 388		BETHEL	AK 99559 (907)543-2087

PARTICIPANTS IN [REDACTED] FBX

1	MARK	BOYER	CITY OF FBX	TSFY. MUNICIPAL REV
			AK	(907)000-0000
2	JIM	SAMPSON	FBX MAYOR	TSFY. MUNICIPAL REV
			AK	(907)000-0000
3	ALICE	PILCHER	TCC	TSFY. MUNICIPAL REV
			AK	(907)000-0000

PARTICIPANTS IN [REDACTED] KOD

1	MAYOR JEROME	SEELY	KOD IS BOROUGH	TSFY. MUNICIPAL REV
---	--------------	-------	----------------	---------------------

PARTICIPANTS IN [REDACTED] KOT SLW
 1 MR. BERT GRIEST CITY OF SELAWIK OBSV. MUNICIPAL REV
 PO BOX 49 SELAWIK AK 99770 (907)484-2132

PARTICIPANTS IN [REDACTED] KTN
 1 MAYOR JIM CARLTON KTN BOROUGH TSFY. MUNICIPAL REV
 AK (907)000-0000
 2 MR. RICK KRUGER OBSV. MUNICIPAL REV
 BOX 8172 KETCHIKAN AK 99901 (907)225-7388

PARTICIPANTS IN [REDACTED] NOM
 1 MR. PAUL DAY CITY OF NOME TSFY. ALL ITEMS
 BOX 281 NOME AK 99762 (907)443-5242

PARTICIPANTS IN [REDACTED] SEW
 1 MR. MICHAEL YANEZ CITY OF SEWARD TSFY. MUNICIPAL REV
 PO BOX 167 SEWARD AK 00664 (907)224-3331

PARTICIPANTS IN [REDACTED] SIT
 1 MR. GARY PAXTON CITY OF SITKA TSFY. MUNICIPAL REV
 304 LAKE ST. SITKA AK 99835 (907)000-0000

PARTICIPANTS IN [REDACTED] VAL
 1 MR. DOUG GRIFFIN CITY TSFY. MUNICIPAL REV
 PO BOX 307 VALDEZ AK 99686 (907)835-4313

**** UPDATES ****

01	03/16/94	10:50:06	ANNOUNCING TELECONFERENCE	
02	03/18/94	08:10:50	KETCHIKAN	ADDED ON
03	03/21/94	10:54:13	SEWARD	ADDED ON
03	03/21/94	10:54:14	FAIRBANKS	ADDED ON
03	03/21/94	10:54:15	ANCHORAGE	ADDED ON

LTN1100-R01
 03/22/94

LEGISLATIVE TELECONFERENCE NETWORK

PAGE 03
 10:04:27

TCN: 40524 DATE & TIME: 03/22/94 08:30 TO 10:00 STATUS:5 IN PROG.

**** UPDATES ****

04	03/21/94	16:53:20	BARROW	ADDED ON
04	03/21/94	16:53:21	SITKA	ADDED ON
04	03/21/94	16:53:22	NOME	ADDED ON
04	03/21/94	16:53:23	BETHEL	ADDED ON
04	03/21/94	16:53:24	HOMER LTC	ADDED ON
04	03/21/94	16:53:25	KODIAK	ADDED ON
05	03/21/94	16:59:50	OFFNET 1	ADDED ON
05	03/21/94	16:59:51	OFFNET 2	ADDED ON
05	03/21/94	16:59:52	OFFNET 3	ADDED ON
05	03/21/94	16:59:53	OFFNET 4	ADDED ON
05	03/21/94	16:59:54	OFFNET 5	ADDED ON
05	03/21/94	16:59:55	OFFNET 6	ADDED ON
05	03/21/94	16:59:56	OFFNET 7	ADDED ON
05	03/21/94	16:59:57	OFFNET 8	ADDED ON
05	03/21/94	16:59:58	OFFNET 9	ADDED ON
05	03/21/94	16:59:59	OFFNET 10	ADDED ON
05	03/21/94	16:59:60	OFFNET 11	ADDED ON
06	03/22/94	09:07:25	SELAWIK	ADDED ON



U.S. ENVIRONMENTAL PROTECTION AGENCY
REGION 10

ALASKA OPERATIONS OFFICE
410 WILLOUGBY AVE. SUITE 100
JUNEAU, ALASKA 99801

REPLY TO
ATTN OF:

COMMENTS BY STEVE TOROK, CHIEF STATE OPERATIONS SECTION
ALASKA OPERATIONS OFFICE U.S. ENVIRONMENTAL PROTECTION AGENCY ON
ALASKA DEPARTMENT OF ENVIRONMENTAL CONSERVATION FY 95 OPERATING
BUDGET AS APPROVED BY HOUSE FINANCE SUB-COMMITTEE AND CONSIDERED
BY HOUSE FINANCE COMMITTEE
MARCH 26, 1994

Administration Component

Assistant Director - This position has been critical to the satisfactory resolution of deficiencies identified by the EPA Inspector General audit of Alaska's Drinking Water program. The progress achieved to date regarding modifications to accounting, time tracking, and development of cost allocation plans has allowed Alaska to retain primacy for this critical public health program. Approximately at this time last year, EPA was very close to having to initiate state primacy withdraw actions. While EPA is pleased with the progress that has been made, much work yet remains. Eliminating funding for this position will leave DEC only two options - cease providing this level of fiscal management expertise and support to all the department's programs thus risking the loss of state control of federal environmental programs; or divert already limited funds from the programs or elsewhere in the Department's budget to continue this support; such an indirect program reduction could also jeopardize satisfactory implementation of these programs.

Environmental Quality Component

Public Information Specialist - (includes proposed reductions for this activity elsewhere in DEC budget). Communication, especially with the public and regulated community, is critical to successful implementation of programs. EPA considers it essential for the state to have a public information focal point with which to communicate on all environmental issues, this is especially true under environmental emergency situations, in order to assure federal and state actions are communicated in an accurate and timely manner. As federal and state funding becomes less available, public education efforts become increasingly more

important by encouraging voluntary compliance and pollution prevention thus putting less strain on the regulatory side of the programs. Eliminating funding for this activity will leave DEC with two options - no longer provide this support thus resulting in fragmented state and federal communications with the public, or to move funding from already stressed operating programs; such an indirect program reduction could jeopardize satisfactory implementation of the programs.

Pollution Prevention - Three years ago, DEC proposed to EPA an initiative to develop a process to incorporate pollution prevention principles and concepts into everything DEC and the state did. This was in anticipation that federal/state funding would continue to diminish and coupled with increasing environmental requirements, a better more efficient way to ensure environmental protection was needed. An agreement was reached under which EPA would allow a percentage of federal grant/state match funds to be diverted from the individual programs to provide some base funding (set-aside). In return, the state agreed to gradually increase state funding support to the effort. This decision did not go without considerable debate among individual program managers, both at EPA and DEC, ... individual program funds were being reduced while requirements were increasing, but it was felt that an effort was necessary to try to get ahead of this curve rather than continue to fall further behind. It was the first in the country and is being watched closely by EPA in Washington D.C. The program has seen notable success, the most significant of which may not be recognized for several years. Much has been said about federal unfunded or underfunded mandates... Alaska's efforts in pollution prevention is a message to the federal government that there is a better, more efficient way of accomplishing environmental protection rather than the traditional command and control, program specific approach. Retreat by the state at this juncture could very well erode EPA's support thus resulting in eliminating the set-aside and pulling those funds back to the individual programs to return to business in the traditional way.

Environmental Crimes Unit - The most single major problem EPA has traditionally had with DEC implementation of environmental programs has been historically weak enforcement. EPA/DEC debate over the years on this issue often rested on DEC's insistence that technical support and education to the regulated community was the first line of effort to be followed by enforcement only after the former failed. The real problem rested in the fact that it is very difficult for the same people who are providing the education and technical assistance ("teachers") to also be the "cops", especially regarding criminal actions. Establishment of the Environmental Crimes Unit was a major milestone in the advancement of environmental justice and equity in Alaska. Its mere existence is a strong deterrent to the would be violator thus making those people more receptive to the technical

assistance approach. Elimination of this program would be viewed by EPA as a setback but even more importantly could be viewed as an invitation by would be environmental criminals.

Air Quality - The state of Alaska's air quality program is currently at a critical stage. Sufficient funding and assurance that adequate funding will be available for program implementation is critical. Having already missed the Federal Clean Air Act deadline for submittal of an operating permit program, the state is already subject to imposition of sanctions. It has only been through DEC's demonstration of continued progress to develop a quality program that EPA has been able to exercise its limited discretion to not impose sanctions. However, that discretion runs out May, 1995, at which time if the state has not submitted an approvable program EPA must impose all of the sanctions. In addition to submittal of the program, the state must demonstrate the ability to implement the program at the time of approval. EPA must implement a federal permit program if the state program is not submitted and approved by November, 1995. EPA provided DEC additional federal funds for FY94 to assist the state in developing its program. It was the only state in Region 10 to receive such funds. It is incumbent on the state to provide sufficient funds for FY95 to ensure successful completion and startup of the program. If not, EPA must itself begin to prepare for the possibility of having to impose sanctions and operate a federal permit program.

WALTER J. HICKEL, GOVERNOR

DEPARTMENT OF LAW

OFFICE OF THE ATTORNEY GENERAL

March 11, 1994

P.O. BOX 110300 - STATE CAPITOL
JUNEAU, ALASKA 99811-0300
PHONE: (907) 465-3600
FAX: (907) 463-5295

The Honorable Ron Larson, Co-Chair
House Finance Committee
State Capitol - Room 502
Juneau, AK 99802-1182

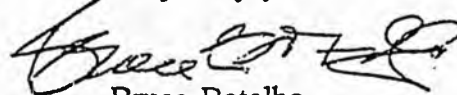
Dear Representative Larson:

You asked us to summarize our letter of February 17, 1993, estimating the contribution the Constitutional Budget Reserve Fund (CBRF) could have made to oil and gas litigation, based on benefits received by and effort made on behalf of the fund from its effective date to the present.

As is discussed in detail in our February 17 letter, expenditures were divided by level of effort toward achieving either tax or royalty revenues. Under the terms of *Halford v. Hickel*, settlements not otherwise dedicated by law must go to the CBRF. After calculating and subtracting the amount of contribution attributable to the Alaska Permanent Fund, \$68,738,958 could have been appropriated from the CBRF for its share of the state's oil and gas litigation effort to cover actual expenditures from July 1, 1990 through February 15, 1994 had the legislature chosen to do so. Thus far, these costs have been paid by the general fund.

Similarly, the legislature could choose to substitute CBR funds for general funds in the FY94 supplemental and/or FY95 operating budget. We believe it advisable to continue the current 25/75 percent fund source split between Permanent Fund Corporate Receipts and the other chosen fund source to allow the Permanent Fund to catch up with its proportionate share of oil and gas litigation costs. As you are aware, the Permanent Fund did not initially participate in funding oil and gas litigation although the Permanent fund received its proportionate share of the proceeds from that litigation. Please let me know if we can provide any additional assistance.

Very truly yours,



Bruce Botelho
Attorney General

cc: J. Shelby Stasny, Director, OMB
Nancy Slagle, Director, DBR
Mike Greany, Director, Leg. Finance

COMPONENT SUMMARY - OPERATING BUDGET

* * * * * Office of the Governor * * * * *

Page	Budget Component	FY93 Act	FY94 CC	FY94Auth	Gov Amd	House	FY94Auth - House Comparison	
Commissions/Special Offices								
1	Human Rights Commission	1,112.4	1,080.3	1,080.3	1,120.9	1,095.6	15.3	1.4%
2	Alaska Womens Commission	8.3						
3	Alaska Sentencing Commission	165.6						
4	Alaska Commission on Children	2.6						
	* BRU Total	1,288.9	1,080.3	1,080.3	1,120.9	1,095.6	15.3	1.4%
Executive Operations								
5	Executive Office	5,917.4	6,751.7	6,751.7	6,837.0	6,252.5	-499.2	-7.4%
6	Governor's House	263.3	299.1	299.1	300.9	283.6	-15.5	-5.2%
7	Contingency Fund	292.5	400.0	400.0	400.0	365.6	-34.4	-8.6%
8	Lieutenant Governor	646.1	709.9	709.9	713.5	646.9	-63.0	-8.9%
9	Arctic Nat'l Wildlife Refuge	1,037.5		444.3			-444.3	-100.0%
10	Media Center	342.3	246.3	246.3	368.7	362.5	116.2	47.2%
	* BRU Total	8,499.1	8,407.0	8,851.3	8,620.1	7,911.1	-940.2	-10.6%
Office of Management & Budget								
11	Office of the Director	454.4	470.4	470.4	472.6	472.6	2.2	.5%
12	Budget Review	914.6	1,060.5	1,060.5	1,066.0	1,066.0	5.5	.5%
13	Audit and Management Services	800.9	880.0	880.0	885.2	885.2	5.2	.6%
14	Governmental Coordination	4,075.1	4,140.3	4,140.3	4,651.5	4,651.5	511.2	12.3%
	Unallocated Reduction					-229.1	-229.1	100.0%
	* BRU Total	6,245.0	6,551.2	6,551.2	7,075.3	6,846.2	295.0	4.5%
Elective Operations								
15	Elections	1,982.0	1,633.1	1,930.8	1,752.7	1,699.7	-231.1	-12.0%
16	General and Primary Elections	2,440.5	307.8	307.8	2,335.1	2,276.7	1,968.9	639.7%
	* BRU Total	4,422.5	1,940.9	2,238.6	4,087.8	3,976.4	1,737.8	77.6%
	*** Total Agency Expenditures	20,455.5	17,979.4	18,721.4	20,904.1	19,829.3	1,107.9	5.9%
	*** Total Agency Funding							
	Fed. Receipt	2,720.2	2,490.1	2,490.1	3,081.6	3,081.6	591.5	23.8%
	General Fund	17,393.0	15,489.3	16,231.3	17,701.5	16,626.7	395.4	2.4%
	Other Funds	342.3			121.0	121.0	121.0	100.0%

COMPONENT SUMMARY - OPERATING BUDGET

***** Department of Administration *****

Page	Budget Component	FY93 Act	FY94 CC	FY94Auth	Gov Amd	House	FY94Auth - House Comparison	
	Longevity Bonus							
1	Longevity Bonus Grants	66,607.5	69,584.2	69,084.2	73,729.7	73,409.9	4,325.7	6.3%
2	Administration	510.4	462.8	474.4			-474.4	-100.0%
	* BRU Total	67,117.9	70,047.0	69,558.6	73,729.7	73,409.9	3,851.3	5.5%
	Pioneers Homes							
3	Sitka	5,170.7	5,046.7	5,111.2			-5,111.2	-100.0%
4	Fairbanks	5,038.2	5,135.6	5,172.4			-5,172.4	-100.0%
5	Palmer	4,798.4	4,827.1	4,917.2			-4,917.2	-100.0%
6	Anchorage	9,407.3	9,266.9	9,315.6			-9,315.6	-100.0%
7	Ketchikan	3,060.9	3,084.8	3,141.8			-3,141.8	-100.0%
8	Juneau	2,891.0	2,821.1	2,819.9			-2,819.9	-100.0%
9	Central Office	385.4	552.4	610.1			-610.1	-100.0%
10	Pioneers Homes Advisory Board	12.8	12.8	12.8			-12.8	-100.0%
11	Unallocated Reduction		-207.3					
	* BRU Total	30,764.7	30,540.1	31,101.0			-31,101.0	-100.0%
	Older Alaskans Commission							
12	Older Alaskan Services	1,358.5	1,745.8	1,745.8			-1,745.8	-100.0%
13	Elder Residential - Maniilaq	957.7						
14	Nutrition, Trans & Support	5,606.3	5,728.7	5,728.7			-5,728.7	-100.0%
15	Senior Employment Services	1,748.0	1,802.7	1,802.7			-1,802.7	-100.0%
16	Home & Community-Based Care	2,572.4	2,520.2	2,520.2			-2,520.2	-100.0%
17	Sr Residential Svcs		1,109.7	1,324.8			-1,324.8	-100.0%
	* BRU Total	12,242.9	12,907.1	13,122.2			-13,122.2	-100.0%
	Senior Services							
18	Pioneers Homes				30,623.4	29,706.0	29,706.0	100.0%
19	Senior Services Administration				3,523.6	2,972.5	2,972.5	100.0%
20	Nutrition, Trans & Support Svc				5,725.4	5,680.1	5,680.1	100.0%
21	Senior Employment Services				1,876.6	1,868.0	1,868.0	100.0%
22	Home & Community Based Care				2,487.8	2,426.7	2,426.7	100.0%
23	Senior Residential Services				1,109.7	1,055.0	1,055.0	100.0%
	* BRU Total				45,346.5	43,708.3	43,708.3	100.0%