

ALASKA LEGISLATURE  
HOUSE and SENATE FINANCE COMMITTEE FILES, 1993-1994 1240

314

1 adopted by the municipality under (a) of this section shall continue in effect as the  
2 corresponding local option under (b) of this section for an established village having  
3 the same perimeter as the previous boundaries of the municipality. A license for  
4 premises operated by the municipality under AS 04.11.505 expires when the  
5 municipality dissolves.

6 (c) A municipality or established village that has adopted a local option under  
7 (a)(1), (2), or (3) or (b)(1) or (2) of this section may designate a site for the delivery  
8 of alcoholic beverages to individuals in the area or a site for a person to bring  
9 alcoholic beverages if the alcoholic beverages are imported into the area. This  
10 subsection does not apply to the delivery or importation of

11 (1) one liter or less of distilled spirits, two liters or less of wine, or one  
12 gallon or less of malt beverages; or

13 (2) alcoholic beverages to a premises licensed under (a)(2) - (3) or  
14 (b)(2) of this section.

15 \* Sec. 19. AS 04.11 is amended by adding new sections to read:

16 Sec. 04.11.493. CHANGE OF LOCAL OPTION. (a) If a majority of persons  
17 voting on the question vote to approve a different local option, a municipality or  
18 established village shall change a local option previously adopted under AS 04.11.491  
19 to the different approved option.

20 (b) A ballot question to change a local option under this section must at least  
21 contain language substantially similar to: "Shall (name of municipality or village)  
22 change the local option currently in effect, that prohibits (current local option under  
23 AS 04.11.491), and adopt in its place a local option to prohibit (proposed local option  
24 under AS 04.11.491)? (yes or no)."

25 Sec. 04.11.495. REMOVAL OF LOCAL OPTION. (a) If a majority of the  
26 persons voting on the question vote to remove the option, a municipality or established  
27 village shall remove a local option previously adopted under AS 04.11.491. The  
28 option is repealed effective the first day of the month following certification of the  
29 results of the election.

30 (b) A ballot question to remove a local option under this section must at least  
31 contain language substantially similar to: "Shall (name of municipality or village)

1 remove the local option currently in effect, that prohibits (current local option under  
2 AS 04.11.491), so that there is no longer any local option in effect? (yes or no)."

3 (c) When issuing a license in the area that has removed a local option, the  
4 board shall give priority to an applicant who was formerly licensed and whose license  
5 was not renewed because of the results of the previous local option election. However,  
6 an applicant described in this subsection does not have a legal right to a license and  
7 the board is not required to approve the application.

8 \* Sec. 20. AS 04.11 is amended by adding a new section to read:

9 Sec. 04.11.497. EFFECT ON LICENSES OF PROHIBITION OF SALE. If  
10 a majority of voters vote to prohibit the sale of alcoholic beverages under  
11 AS 04.11.491(a)(1), (a)(4) or (5), (b)(1), or (b)(3) or (4), the board may not issue,  
12 renew, or transfer, between persons or locations, a license for premises located within  
13 the boundaries of the municipality and in unincorporated areas within five miles of the  
14 boundaries of the municipality or within the perimeter of the established village. A  
15 license that may not be renewed because of a local option election held under this  
16 section is void 90 days after the results of the election are certified. A license that  
17 expires during the 90 days after the results of a local option election are certified may  
18 be extended, until it is void under this section, by payment of a prorated portion of the  
19 biennial license fee.

20 \* Sec. 21. AS 04.11 is amended by adding a new section to read:

21 Sec. 04.11.499. PROHIBITION OF IMPORTATION AFTER ELECTION. If  
22 a majority of the voters vote to prohibit the importation of alcoholic beverages under  
23 AS 04.11.491(a)(4) or (5) or (b)(3) or (4), a person, beginning on the first day of the  
24 month following certification of the results of the election, may not knowingly send,  
25 transport, or bring an alcoholic beverage into the municipality or established village,  
26 unless the alcoholic beverage is sacramental wine to be used for bona fide religious  
27 purposes based on tenets or teachings of a church or religious body, is limited in  
28 quantity to the amount necessary for religious purposes, and is dispensed only for  
29 religious purposes by a person authorized by the church or religious body to dispense  
30 the sacramental wine.

31 \* Sec. 22. AS 04.11 is amended by adding a new section to read:

1           Sec. 04.11.501. PROHIBITION OF POSSESSION AFTER ELECTION. (a)

2           If a majority of the voters vote to prohibit the possession of alcoholic beverages under  
3           AS 04.11.491(a)(5) or (b)(4), a person may not knowingly possess an alcoholic  
4           beverage in the municipality or established village, unless the alcoholic beverage is  
5           sacramental wine to be used for bona fide religious purposes based on tenets or  
6           teachings of a church or religious body, is limited in quantity to the amount necessary  
7           for religious purposes, and is dispensed only for religious purposes, by a person  
8           recognized by the church or religious body as authorized to dispense the wine.

9           (b) If there are licensed premises within the municipality or established village,  
10          the prohibition on possession is effective beginning 90 days after the results of the  
11          election are certified. If there are no licensed premises within the municipality or  
12          established village, the prohibition on possession is effective beginning 60 days after  
13          the results of the election are certified.

14          (c) Upon the adoption by a municipality of a local option under  
15          AS 04.11.491(a)(5), an ordinance is adopted containing the provisions of this section.

16          (d) In this section, "possession" means having physical possession of or  
17          exercising dominion or control over an alcoholic beverage, but does not include having  
18          an alcoholic beverage within the digestive system of a person.

19          \* Sec. 23. AS 04.11 is amended by adding a new section to read:

20               Sec. 04.11.503. EFFECT ON LICENSES OF RESTRICTION ON SALE. If

21               a majority of the voters vote under AS 04.11.491(a)(2) or (b)(2) to prohibit sale of  
22               alcoholic beverages except by the type or types of licensees or permit holders listed  
23               on the ballot, the board may not issue, renew, or transfer between persons or locations  
24               a license for premises located within the boundaries of the municipality and in  
25               unincorporated areas within five miles of the boundaries of the municipality or within  
26               the perimeter of the established village, except the type or types of licenses listed on  
27               the ballot. A license in effect within the boundaries of the municipality or perimeter  
28               of the established village, and in unincorporated areas within five miles of the  
29               boundaries of the municipality, except the type of license listed on the ballot, are void  
30               90 days after the results of the election are certified. A license that expires during the  
31               90 days after the results of a local option election are certified may be extended, until

1 it is void under this section, by payment of a prorated portion of the biennial license  
2 fee.

3 \* Sec. 24. AS 04.11 is amended by adding a new section to read:

4 Sec. 04.11.505. LICENSING AFTER PROHIBITION ON SALE EXCEPT IN  
5 PREMISES OPERATED BY MUNICIPALITY. (a) If a majority of the voters vote  
6 under AS 04.11.491(a)(3) to prohibit the sale of alcoholic beverages except on  
7 premises operated by the municipality, the board may not issue, renew, or transfer  
8 between persons or locations a license for premises located within the boundaries of  
9 a municipality and in unincorporated areas within five miles of the boundaries of the  
10 municipality, with the exception of the type of license listed on the ballot and operated  
11 under a license held by the municipality. A license in effect is void 90 days after the  
12 results of the election are certified. A license that expires during the 90 days after the  
13 results of a local option election are certified may be extended, until it is void under  
14 this subsection, by payment of a prorated portion of the biennial license fee.

15 (b) The local governing body of a municipality shall apply for a license to  
16 operate the type of licensed premises listed on the ballot under AS 04.11.491(a)(3) and  
17 approved by a majority of the voters. The municipality shall operate the premises  
18 subject to the conditions and fees applicable to the type of license. Nothing in this  
19 section precludes a municipality from applying to be a licensee under other provisions  
20 of this title.

21 \* Sec. 25. AS 04.11 is amended by adding new sections to read:

22 Sec. 04.11.507. PROCEDURE FOR LOCAL OPTION ELECTIONS. (a)  
23 Elections to adopt a local option under AS 04.11.491, change a local option under  
24 AS 04.11.493, or remove a local option under AS 04.11.495, shall be conducted as  
25 required in this section.

26 (b) Upon receipt of a petition of a number of registered voters equal to 35  
27 percent or more of the number of votes cast at the last regular municipal election, the  
28 local governing body of a municipality shall place upon a separate ballot at the next  
29 regular election, or at a special election, whichever local option, change in local option,  
30 or removal of local option constitutes the subject of the petition. The local governing  
31 body shall conduct the election under the election ordinance of the municipality.

1 (c) Upon receipt of a petition of 35 percent or more of the registered voters  
2 residing within an established village, the lieutenant governor shall place upon a  
3 separate ballot at a special election the local option, change in local option, or removal  
4 of local option that constitutes the subject of the petition. The lieutenant governor  
5 shall conduct the election under AS 15.

6 (d) A petition filed with the local governing body of a municipality under (b)  
7 of this section, that places on the ballot the option set out in AS 04.11.491(a)(5),  
8 constitutes a proposed ordinance of the municipality.

9 (e) AS 29.26.110 - 29.26.160 apply to a petition under (b) of this section in  
10 a general law municipality except the

11 (1) number of required signatures is determined under (b) of this  
12 section rather than under AS 29.26.130;

13 (2) application filed under AS 29.26.110 must at least contain language  
14 substantially similar to the questions set out under AS 04.11.491 - 04.11.495 rather  
15 than containing an ordinance or resolution;

16 (3) petition must at least contain language substantially similar to the  
17 questions set out under AS 04.11.491 - 04.11.495 rather than material required under  
18 AS 29.26.120(a)(1) and (2).

19 (f) Notwithstanding any other provisions of law, an election under (b) or (c)  
20 of this section to remove a local option or to change to a less restrictive option than  
21 the local option previously adopted under AS 04.11.491 may not be conducted during  
22 the first 12 months after the local option was adopted or more than once in a 12-month  
23 period.

24 **Sec. 04.11.509. NOTICE OF THE RESULTS OF A LOCAL OPTION**  
25 **ELECTION.** (a) If a majority of the voters vote to prohibit, change, or remove a  
26 local option under AS 04.11.491 - 04.11.495, the clerk of the municipality, or, if the  
27 election is in an established village, the lieutenant governor shall notify the board of  
28 the results of the election immediately after the results are certified. The board shall  
29 immediately notify the Department of Law and the Department of Public Safety of the  
30 results of the election.

31 (b) If a majority of the voters vote to prohibit the importation or possession

1 of alcoholic beverages under AS 04.11.491(a)(4) or (5) or (b)(3) or (4), the following  
2 actions in addition to those prescribed in (a) of this section shall be taken before the  
3 date the prohibition becomes effective:

4 (1) the board shall notify, by certified mail, all package store licensees  
5 who sell alcoholic beverages in response to a written solicitation of the local option;  
6 and

7 (2) the municipality or established village shall post public notice of  
8 the prohibition in a central location in the municipality or village.

9 \* Sec. 26. AS 04.11.540 is amended to read:

10 Sec. 04.11.540. LICENSE RENEWAL AND EXPIRATION. Notwithstanding  
11 AS 04.11.680, an application for renewal of a license issued for the two calendar years  
12 [YEAR] ending December 31 or of a seasonal license issued for parts of those  
13 calendar years [A SIX-MONTH PERIOD ENDING IN THE PREVIOUS YEAR] may  
14 be submitted up until the next February 28 [, BUT THE AUTHORITY GRANTED  
15 UNDER THE LICENSE MAY NOT BE EXERCISED UNTIL THE LICENSE IS  
16 RENEWED]. If a complete [THE] application for renewal has [AND APPLICABLE  
17 AFFIDAVITS HAVE] not been filed by February 28 or the required fees and the  
18 penalty fees have not been paid by that date, the license expires at 12:00 midnight  
19 February 28. A new license may not be issued to the holder of an expired license for  
20 the same premises except on proof satisfactory to the board of good cause for the  
21 failure to file and pay.

22 \* Sec. 27. AS 04.11.680(a) is amended to read:

23 (a) Upon application and payment of one-half [ONE-QUARTER] of the  
24 biennial fee, the board may issue a seasonal license under this title that will be  
25 effective for a continuous six-month period in each of the biennial calendar years.  
26 Otherwise, all licenses issued under this title other than a retail stock sale license are  
27 effective for the two calendar years ending December 31, unless a shorter period is  
28 prescribed by the board or by law.

29 \* Sec. 28. AS 04.16.110 is repealed and reenacted to read:

30 Sec. 04.16.110. SALE OF CERTAIN ALCOHOLIC BEVERAGES  
31 PROHIBITED. A person may not sell an alcoholic beverage if it

- 1 (1) is not in liquid form; or  
2 (2) contains more than 76 percent alcohol by volume.

3 \* Sec. 29. AS 04.16.125(a) is amended to read:

4 (a) A person may not use a common carrier to transport alcoholic beverages  
5 into an area that has restricted the sale of alcoholic beverages under  
6 AS 04.11.491(a)(1), (2), or (3) or (b)(1) or (2) [AS 04.11.490, 04.11.492, OR  
7 04.11.500] unless

8 (1) the shipping container holding the alcoholic beverages is clearly  
9 labeled as containing alcoholic beverages with letters that contrast in color to the  
10 shipping container and that are at least two inches in height; and

11 (2) an itemized invoice showing the quantity and purchase value of  
12 distilled spirits, of wine, and of malt [THE ALCOHOLIC] beverages is attached to  
13 the outside of the shipping container.

14 \* Sec. 30. AS 04.16.125(b) is amended to read:

15 (b) This section does not apply to

16 (1) a person transporting not more than

17 (A) two liters of wine;

18 (B) one gallon of [OR] malt beverages; [,] or

19 (C) [NOT MORE THAN] one liter of distilled spirits; or

20 (2) the transportation of alcoholic beverages for use on premises  
21 allowed under AS 04.11.491(a)(2) - (3) or (b)(2) or for use under a permit allowed  
22 under AS 04.11.491(a)(2).

23 \* Sec. 31. AS 04.16.200(b) is amended to read:

24 (b) A person who violates AS 04.11.010 in an area that has adopted  
25 [WHERE THE RESULTS OF] a local option under AS 04.11.491 [ELECTION  
26 HAVE, UNDER AS 04.11.490 - 04.11.500, PROHIBITED THE BOARD FROM  
27 ISSUING, RENEWING, OR TRANSFERRING ONE OR MORE TYPES OF  
28 LICENSES OR PERMITS UNDER THIS TITLE IN THE AREA] is, upon conviction,  
29 guilty of a class C felony.

30 \* Sec. 32. AS 04.16.200(e) is amended to read:

31 (e) A person who sends, transports, or brings alcoholic beverages into a

1 municipality or established village in violation of AS 04.11.499 [AS 04.11.496] is,  
2 upon conviction,

3 (1) guilty of a class A misdemeanor if the quantity imported is less  
4 than 12 liters of distilled spirits, 24 liters of wine, or 12 gallons [45 LITERS] of malt  
5 beverages; or

6 (2) guilty of a class C felony if the quantity imported is 12 liters or  
7 more of distilled spirits, 24 liters or more of wine, or 12 gallons [45 LITERS] or more  
8 of malt beverages.

9 \* Sec. 33. AS 04.16.205(a) is amended to read:

10 (a) A person who possesses alcoholic beverages in a municipality or  
11 established village in violation of AS 04.11.501 [AS 04.11.498] or an ordinance  
12 adopted under AS 04.11.501 [AS 04.11.498] may, upon conviction, be punished by a  
13 fine not to exceed \$1,000. When a peace officer stops or contacts a person concerning  
14 a violation of AS 04.11.501 [AS 04.11.498] or an ordinance adopted [ENACTED]  
15 under AS 04.11.501 [AS 04.11.498], the peace officer may [, IN THE OFFICER'S  
16 DISCRETION,] issue a citation to the person as provided in AS 12.25.180.

17 \* Sec. 34. AS 04.16.205(b) is amended to read:

18 (b) A person cited for a violation of AS 04.11.501 [AS 04.11.498] or an  
19 ordinance adopted under AS 04.11.501 [AS 04.11.498] for which a bail amount has  
20 been established under (c) of this section may, within 30 days after the date the  
21 citation is issued.

22 (1) mail or personally deliver to the clerk of the court in which the  
23 citation is filed by the peace officer the amount of bail indicated on the citation and  
24 a copy of the citation indicating that the right to an appearance is waived, a plea of no  
25 contest is entered and the bail and all alcoholic beverages seized are forfeited; or

26 (2) perform community work in lieu of payment of the fine or a portion  
27 of the fine as provided in (d) of this section.

28 \* Sec. 35. AS 04.16.205(c) is amended to read:

29 (c) The supreme court shall establish by rule or order a schedule of bail  
30 amounts that may be forfeited without a court appearance for a violation of  
31 AS 04.11.501 [AS 04.11.498] or an ordinance adopted under AS 04.11.501

1 [AS 04.11.498]. In establishing the bail schedule the supreme court may consider the  
2 quantity of alcoholic beverages possessed and the number of prior violations of the  
3 person cited. Before establishing or amending the schedule of bail amounts required  
4 by this subsection, the supreme court shall appoint and consult with an advisory  
5 committee consisting of the following seven persons: one superior court judge, one  
6 magistrate from each judicial district in the state, a representative of the Department  
7 of Law, and a representative of the Public Defender Agency. The maximum bail  
8 amount may not exceed \$1,000, and the issuing officer shall write on the citation the  
9 amount of bail applicable to the violation.

10 \* Sec. 36. AS 04.16.205(d) is amended to read:

11 (d) Community work shall be performed at the direction of the local governing  
12 body of the municipality or the local governing body of the established village. In the  
13 absence of a local governing body for an established village, community work  
14 shall be performed at the direction of the body that has traditionally performed  
15 public functions on behalf of the entire community. The value of community work  
16 in lieu of a fine is \$5.00 per hour. When the community work is completed, the  
17 person cited for the violation shall mail or personally deliver to the clerk of the court  
18 in which the citation is filed by the peace officer

19 (1) a form, prescribed by the administrative director of the Alaska  
20 Court System, indicating completion of the community work; and

21 (2) a copy of the citation, indicating that the right to an appearance is  
22 waived, a plea of no contest is entered, and that the bail is forfeited or community  
23 work has been performed and that all alcoholic beverages seized are forfeited.

24 \* Sec. 37. AS 04.16.205(g) is amended to read:

25 (g) Notwithstanding other provisions of law, if a person cited for a violation  
26 of AS 04.11.501 [AS 04.11.498] or an ordinance adopted under AS 04.11.501  
27 [AS 04.11.498] for which a bail amount has been established under (c) of this section  
28 appears in court and is found guilty, the penalty that is imposed for the offense may  
29 not exceed the bail amount for that offense established under (c) of this section.

30 \* Sec. 38. AS 04.16.205(h) is amended to read:

31 (h) A violation of AS 04.11.501 [AS 04.11.498] or an ordinance adopted under

1 AS 04.11.501 [AS 04.11.498] may not be considered a criminal offense and may not  
2 result in imprisonment, nor is a fine imposed for a violation considered criminal  
3 punishment. A person cited for a violation does not have a right to a jury trial or  
4 court appointed counsel.

5 \* Sec. 39. AS 04.16.220(a) is amended to read:

6 (a) The following are subject to forfeiture:

7 (1) alcoholic beverages manufactured, sold, offered for sale or  
8 possessed for sale, bartered or exchanged for goods and services in this state in  
9 violation of AS 04.11.010; alcoholic beverages possessed, stocked, warehoused, or  
10 otherwise stored in violation of AS 04.21.060; alcoholic beverages sold or offered for  
11 sale in violation [IN AN AREA WHERE THE RESULTS] of a local option adopted  
12 under AS 04.11.491 [ELECTION HAVE, UNDER AS 04.11.490 - 04.11.500,  
13 PROHIBITED THE POSSESSION OF ALCOHOLIC BEVERAGES OR  
14 PROHIBITED THE BOARD FROM ISSUING, RENEWING, OR TRANSFERRING  
15 ONE OR MORE LICENSES OR PERMITS UNDER THIS TITLE IN THE AREA];  
16 alcoholic beverages transported into the state and sold to persons not licensed under  
17 this chapter in violation of AS 04.16.170(b);

18 (2) materials and equipment used in the manufacture, sale, offering for  
19 sale, possession for sale, barter or exchange of alcoholic beverages for goods and  
20 services in this state in violation of AS 04.11.010; materials and equipment used in the  
21 stocking, warehousing, or storage of alcoholic beverages in violation of AS 04.21.060;  
22 materials and equipment used in the sale or offering for sale of an alcoholic beverage  
23 in an area in violation [WHERE THE RESULTS] of a local option under  
24 AS 04.11.491 [ELECTION HAVE, UNDER AS 04.11.490 - 04.11.500, PROHIBITED  
25 THE BOARD FROM ISSUING, RENEWING, OR TRANSFERRING ONE OR  
26 MORE LICENSES OR PERMITS UNDER THIS TITLE IN THE AREA];

27 (3) aircraft, vehicles, or vessels used to transport, or facilitate the  
28 transportation of

29 (A) alcoholic beverages manufactured, sold, offered for sale or  
30 possessed for sale, bartered or exchanged for goods and services in this state  
31 in violation of AS 04.11.010;

1 (B) property stocked, warehoused, or otherwise stored in  
2 violation of AS 04.21.060;

3 (C) alcoholic beverages imported into a municipality or  
4 established village in violation of AS 04.11.499 [AS 04.11.496];

5 (4) alcoholic beverages found on licensed premises that do not bear  
6 federal excise stamps if excise stamps are required under federal law;

7 (5) alcoholic beverages, materials or equipment used in violation of  
8 AS 04.16.175.

9 \* Sec. 40. AS 04.16.220(b) is amended to read:

10 (b) Property subject to forfeiture under this section may be actually or  
11 constructively seized under an order issued by the superior court upon a showing of  
12 probable cause that the property is subject to forfeiture under this section. Constructive  
13 seizure is effected upon posting a signed notice of seizure on the item to be forfeited,  
14 stating the violation and the date and place of seizure. Seizure without a court order  
15 may be made if

16 (1) the seizure is incident to a valid arrest or search;

17 (2) the property subject to seizure is the subject of a prior judgment in  
18 favor of the state; or

19 (3) there is probable cause to believe that the property is subject to  
20 forfeiture under (a) of this section; except for alcoholic beverages possessed on  
21 violation of AS 04.11.501 [AS 04.11.498] or an ordinance adopted under AS 04.11.501  
22 [AS 04.11.498], property seized under this paragraph may not be held over 48 hours  
23 or until an order of forfeiture is issued by the court, whichever is earlier.

24 \* Sec. 41. AS 04.16.220(d) is amended to read:

25 (d) Property subject to forfeiture under (a) of this section may be forfeited

26 (1) upon conviction of a person for a violation of [UNDER]  
27 AS 04.11.010, 04.11.499, [04.11.496(b), OR] AS 04.21.060, or AS 04.11.501 [UPON  
28 ENTRY OF JUDGMENT UNDER AS 04.11.498] or an ordinance adopted under  
29 AS 04.11.501 [AS 04.11.498]; or

30 (2) upon judgment by the superior court in a proceeding in rem that the  
31 property was used in a manner subjecting it to forfeiture under (a) of this section.

1 \* Sec. 42. AS 04.16.220(g) is amended to read:

2 (g) It is no defense in an in rem forfeiture proceeding brought under (d)(2) of  
3 this section that a criminal proceeding is pending or has resulted in conviction or  
4 acquittal of a person charged with violating AS 04.11.010, 04.11.499 [04.11.496(b)],  
5 or AS 04.21.060.

6 \* Sec. 43. AS 04.21.010(a) is amended to read:

7 (a) A municipality may adopt ordinances governing the importation, barter,  
8 sale, and consumption of alcoholic beverages within the municipality and may ban  
9 possession of alcoholic beverages under AS 04.11.491(a)(5) [AS 04.11.498(d) OR (e)].  
10 An ordinance adopted under this section may not be inconsistent with this title or  
11 regulations adopted under this title. An ordinance that limits the monthly amounts  
12 of alcoholic beverages a person may import into a municipality that has adopted  
13 a local option under AS 04.11.491(a)(1), (2), or (3) is not inconsistent with this  
14 title.

15 \* Sec. 44. AS 04.21.010(b) is amended to read:

16 (b) After the adoption of a local option under AS 04.11.491(a), a [IF, AS A  
17 RESULT OF AN ELECTION HELD IN ACCORDANCE WITH AS 04.11.502 IN A  
18 MUNICIPALITY, THE BOARD IS PROHIBITED FROM ISSUING, RENEWING,  
19 OR TRANSFERRING A LICENSE BETWEEN HOLDERS OR LOCATIONS OR IF  
20 THE IMPORTATION OF ALCOHOLIC BEVERAGES IS PROHIBITED IN THE  
21 MUNICIPALITY, THE] municipality may adopt an ordinance making the sale, [OR]  
22 importation, or possession of alcoholic beverages a misdemeanor to the extent  
23 prohibited under the local option. The ordinance may not be inconsistent with this  
24 title or the regulations adopted under this title.

25 \* ~~Sec. 45. AS 04.21.010(c) is amended to read:~~

26 (c) ~~A municipality may not impose taxes on alcoholic beverages except a~~  
27 ~~(1) [PROPERTY TAX ON ALCOHOLIC BEVERAGE~~  
28 ~~INVENTORIES;~~  
29 ~~(2)] sales tax on alcoholic beverage sales if a general sales tax is~~  
30 ~~[TAXES ARE] imposed on other sales within the municipality;~~  
31 ~~(2) [(3)] sales tax on alcoholic beverage sales that was in effect before~~

1 July 1, 1985; and

2 ~~(3) [(4)] sales and use tax on alcoholic beverages if the sale of~~  
3 ~~alcoholic beverages within the municipality has been prohibited under~~  
4 ~~AS 04.11.491(a)(1), (4), or (5) [AS 04.11.490].~~

5 \* Sec. 46. AS 04.21.015(b) is amended to read:

6 (b) This section does not apply to AS 04.16.050, 04.16.051, 04.16.080;  
7 AS 04.21.010, 04.21.020; alcoholic beverages manufactured in a quantity that exceeds  
8 the limit imposed on private manufacture under federal law; or an area that has  
9 adopted a local option law under AS 04.11.491 [AS 04.11.490 - 04.11.500].

10 \* Sec. 47. AS 04.21.025(a) is amended to read:

11 (a) As a condition of issuance or renewal of a license and selling alcoholic  
12 beverages under a license, the board shall require a licensee who sells or serves  
13 alcoholic beverages and a licensee's agents and employees who sell or serve alcoholic  
14 beverages to complete an alcohol server education course approved by the board, if the  
15 license is for a

- 16 (1) beverage dispensary;  
17 (2) restaurant or eating place;  
18 (3) club;  
19 (4) package store;  
20 (5) COMMON CARRIER DISPENSARY;  
21 (6) recreational site;  
22 (6) [(7)] community;  
23 (7) [(8)] pub;  
24 (8) [(9)] conditional contractor.

25 \* Sec. 48. AS 04.21.025 is amended by adding a new subsection to read:

26 (e) A person licensed as a common carrier dispensary shall train agents and  
27 employees who sell or serve alcoholic beverages on provisions of state law regarding  
28 sale of alcoholic beverages, including AS 04.16.015, 04.16.020, 04.16.030, 04.16.051,  
29 04.16.052, 04.16.120, 04.16.125, AS 04.21.030, and 04.21.050. The training must  
30 include the subjects of the effects of alcohol consumption, identifying a drunken  
31 person, determining valid identification, intervention to prevent unlawful alcohol

1 consumption, and penalties for unlawful acts by agents and employees of licensees.  
2 A common carrier licensee shall, once every three years, provide the board with a  
3 description of its training program including the subjects taught, teaching method, and  
4 testing required.

5 \* Sec. 49. AS 04.21.080(b)(1) is amended to read:

6 (1) "alcoholic beverage" means a spirituous, vinous, malt or other  
7 fermented or distilled liquid, whatever the origin, that is intended for human  
8 consumption as a beverage and that contains one-half of one percent or more of  
9 alcohol by volume, whether produced commercially or privately; however, in an area  
10 that has adopted a local option under AS 04.11.491 [LOCAL-OPTION  
11 PROHIBITION UNDER AS 04.11.490 - 04.11.500], "alcoholic beverage" means a  
12 spirituous, vinous, malt, or other fermented or distilled liquid, whatever the origin, that  
13 is intended for human consumption as a beverage by the person who possesses or  
14 attempts to possess it and that contains alcohol in any amount if the liquid is  
15 produced privately, or that contains one-half of one percent or more of alcohol by  
16 volume, if the liquid is produced commercially;

17 \* Sec. 50. AS 04.21.080(b)(9) is amended to read:

18 (9) "established village" means an area not containing any part of  
19 an incorporated city or another established village, that has a perimeter no more  
20 than 10 miles in diameter clearly designated on a map by the local governing  
21 body or the board in the absence of a local governing body, and that is

22 (A) an unincorporated community that is in the unorganized  
23 borough and that has 25 or more permanent residents; or

24 (B) an unincorporated community that is in an organized  
25 borough, has 25 or more permanent residents, and

26 (i) is on a road system and is located more than 50  
27 miles outside the boundary limits of a unified municipality, or

28 (ii) is not on a road system and is located more than 15  
29 miles outside the boundary limits of a unified municipality;

30 \* Sec. 51. AS 15.07.064(g) is amended to read:

31 (g) In this section, "established village" means an unincorporated

1 community that is in

2 (A) the unorganized borough and that has 25 or more  
3 permanent residents; or

4 (B) an organized borough, has 25 or more permanent  
5 residents, and

6 (i) is on a road system and is located more than 50  
7 miles outside the boundary limits of a unified municipality, or

8 (ii) is not on a road system and is located more than  
9 15 miles outside the boundary limits of a unified municipality

10 [HAS THE MEANING GIVEN IN AS 04.21.080].

11 \* Sec. 52. AS 18.65.085(a) is amended to read:

12 (a) There is established in the Department of Public Safety, division of state  
13 troopers, a narcotic drugs and alcohol enforcement unit for the purpose of investigating  
14 and combating the illicit sale and distribution of narcotic drugs and alcoholic beverages  
15 in the state. Enforcement of the alcoholic beverage control laws shall focus primarily  
16 on the investigation, apprehension, and conviction of persons who violate  
17 AS 04.11.010 by selling, importing, or possessing alcoholic beverages in violation of  
18 a local option [AN ORDINANCE] adopted by a municipality or established village  
19 under AS 04.11.491 [AS 04.11.490 - 04.11.500].

20 \* Sec. 53. AS 18.65.085(c) is amended to read:

21 (c) The Department of Public Safety may establish and administer a reward  
22 program, and provide grants to municipalities, established villages, and, at the request  
23 of a municipality or established village, to a nonprofit association that administers a  
24 village public safety officer program, for reward programs leading to the apprehension  
25 and conviction of persons who violate AS 04.11.010 by selling, importing, or  
26 possessing alcoholic beverages in violation of a local option [AN ORDINANCE]  
27 adopted by a municipality or established village under AS 04.11.491 [AS 04.11.490  
28 - 04.11.500].

29 \* Sec. 54. AS 29.20.270(e) is amended to read:

30 (e) The veto does not extend to an ordinance adopted under AS 04.11.501  
31 [AS 04.11.498]. This subsection applies to home rule and general law municipalities.

1 \* Sec. 55. AS 29.25.020(d) is amended to read:

2 (d) This section does not apply to an ordinance proposed under  
3 AS 04.11.507(d) [AS 04.11.502(c)].

4 \* Sec. 56. AS 29.25.070(d) is amended to read:

5 (d) This section does not apply to an ordinance adopted under AS 04.11.501(c)  
6 [AS 04.11.498(d) OR (e)].

7 \* Sec. 57. AS 29.35.080(a) is amended to read:

8 (a) A municipality may regulate the possession, barter, sale, importation, and  
9 consumption of alcoholic beverages under AS 04.11.480 - 04.11.509 [IN  
10 ACCORDANCE WITH AS 04.11.480 - 04.11.506] and AS 04.21.010.

11 \* ~~Sec. 58. AS 29.45.010 is amended by adding a new subsection to read:~~

12 ~~(d) A municipality may not levy a property tax on alcoholic beverages.~~

13 \* Sec. 59. AS 43.60.010(a) is amended to read:

14 (a) Every brewer, distiller, bottler, jobber, retailer, wholesaler, or manufacturer  
15 who sells alcoholic beverages in the state or who consigns shipments of alcoholic  
16 beverages into the state, whether or not the alcoholic beverages are brewed, distilled,  
17 bottled, or manufactured in the state, shall pay on all malt beverages with an [(  
18 alcoholic content of one percent or more by volume )], wines, and hard or distilled  
19 alcoholic beverages, the following taxes:

20 (1) malt beverages at the rate of 42 [35] cents a gallon or fraction of  
21 a gallon;

22 (2) wine or other beverages of 21 percent alcohol by volume or less,  
23 at the rate of \$1.02 [85 CENTS] a gallon or fraction of a gallon; and

24 (3) other beverages having a content of more than 21 percent alcohol  
25 by volume at the rate of \$6.72 [\$5.60] a gallon.

26 \* Sec. 60. AS 47.37.045(e) is amended to read:

27 (e) In this section,

28 (1) "established village" means an unincorporated community that  
29 is in

30 (A) the unorganized borough and that has 25 or more  
31 permanent residents; or



# **NFIB** Alaska

National Federation of  
Independent Business

POSITION PAPER

OF

NATIONAL FEDERATION OF INDEPENDENT BUSINESS  
(NFIB/ALASKA)

OPPOSING

SB 372 INCREASING EXCISE TAXES ON ALCOHOLIC BEVERAGES.

9159 Skywood Lane  
Juneau, AK 99801



The Guardian of  
Small Business

CHAIRMAN, MEMBERS OF THE COMMITTEE, MY NAME IS RESA JERREL, I AM THE STATE DIRECTOR FOR NATIONAL FEDERATION OF INDEPENDENT BUSINESS - NFIB/ALASKA. I WANT TO EXPRESS OUR OPPOSITION TO THE SECTION INCREASING THE ALCOHOL TAX IN SB 372. THE ONE SECTION WE ARE OPPOSING IS ON PAGE 30, LINES 17 - 20 OF THE WORK DRAFT COMMITTEE SUBSTITUTE.

BACKGROUND: NFIB/ALASKA IS COMPRISED OF 4,800 SMALL AND INDEPENDENT BUSINESS OWNERS. THE LEGISLATIVE AGENDA OF NFIB/ALASKA IS DETERMINED BY OUR BALLOT. THE BALLOT IS OUR ANNUAL POLL OF OUR MEMBERS ON A SERIES OF ISSUES DEEMED CRITICAL TO SMALL BUSINESS. A MAJORITY VOTE, OF THE MEMBERS IN RESPONSE TO THE POLL, SETS OUR POLICY AND POSITION ON LEGISLATIVE ISSUES. WE THEN SHARE THE RESULTS OF OUR POLL WITH THE LEGISLATURE AND ADMINISTRATION. THERE IS NOT ENOUGH SPACE ON THE ANNUAL POLL TO PLACE EVERY POSSIBLE ISSUE BEFORE OUR MEMBERS. THEREFORE, WE ALSO USE THE PREVIOUS YEARS BALLOT RESULTS AS GUIDANCE ON ISSUES.

THE 1993 SURVEY OF NFIB/ALASKA MEMBERS FOUND OVERWHELMING SUPPORT - 92 PERCENT - TO REDUCE STATE GOVERNMENT SPENDING BEFORE INCREASING PRESENT TAXES. NFIB/ALASKA OPPOSES SB 372 BECAUSE THE LACK OF REVENUE IS NOT THE REAL ISSUE, EXPENDITURES ARE THE ISSUE. THE STATE OF ALASKA IS SPENDING BEYOND ITS MEANS. THERE IS NO WAY TO BALANCE THE BUDGET WITHOUT REDUCING GOVERNMENT SPENDING.

NFIB/ALASKA THANKS YOU FOR THE OPPORTUNITY TO COMMENT ON THIS LEGISLATION. IF YOU HAVE ANY QUESTIONS, I WILL TRY TO ANSWER THEM.

## MY TURN

*Time running out for budget cuts*

By SEN. DICK ELIASON

My good friend, the late Rep. Earl Hilstrand of Anchorage, would often refer to state spending in the course of addressing the House of Representatives. "The state is careening down fiscal fiasco freeway," he asserted, "and at the end of this freeway is a stone wall."

Nobody could really challenge that, but nobody really bothered much about it, including myself. In the early 1970s, the prospect of fiscal difficulties seemed relegated to the distant future.

Earl Hilstrand was warning us, but apparently the members of the Legislature were unable to see beyond the next election.

Unfortunately, the end of the freeway is now in sight. Fiscal projections into the near future indicate very clearly that we are still careening down fiscal fiasco freeway and picking up speed as we near the "wall" of 1996.

It is hard to dispute the evidence. Given the decline in Prudhoe Bay production (Department of Revenue spring '92 forecast), and the estimated price of oil (Alaska North Slope

Lower 48 average price of \$15.86 for fiscal year 1993 and a five-year average of \$16.97 for the subsequent three years), we can determine approximately how much unrestricted general-fund revenue we will have coming in.

We know the total size of the spending package for the current fiscal year, so we know how much is going out.

Even if we can contain spending at the current year level (it appears we are having difficulty doing that this session), even if we keep it at that level for four consecutive years, even if we spend every available dollar on the budget including the Permanent Fund earnings reserve (\$708 million), the constitutional budget reserve account (\$456 million), the statutory budget reserve account (\$167 million), and other pots and funds totaling an additional \$600 million or so, by the year 1996 we will be in debt to the tune of about \$1.6 billion.

Sure, there are other potential sources of income. The largest single source would likely be a personal income tax. That would bring in about

\$250 million to \$300 million a year. If that tax was in place this year, and we doubled it, our revenues and expenditures for the current fiscal year would just about balance. This is no the magic solution.

We could look at other revenue sources: retail sales tax, services tax, corporate income tax increases, highway fuel tax, raw fish tax increases, and fees for state government services. At the maximum these might generate an additional \$200 million a year. This is not the magic solution.

There is no magic answer to our revenue shortfall. Lack of revenue is not the real issue, expenditures are the issue. The state of Alaska is spending beyond its means. There is no way to balance our budget without substantially reducing government spending this year and each future year for at least four years.

We don't face a serious problem this year or next year because we have the money to cover our expenditures, provided we keep spending at its current level. That would certainly be the politically expedient thing to do, the easy way out.

However, the question we must ask as we travel down the fiscal fiasco freeway is not, "Are we going to hit the wall?" The question is, "How hard are we going to hit it?"

Unfortunately, despite hours of legislative hearings and earnest effort to reduce spending on the operations of state government, I don't see any indication that this Legislature or this gubernatorial administration has the foresight, will, or commitment to make the hard decision to hit the brakes.

During the budget-cutting process, legislators hear from few people who urge them to cut the budget, and from hundreds of people asking that specific programs and services be spared the sharp edge of the budget ax.

Perhaps legislators will be unable to bite the bullet on the budget until the people they represent make it clear that they support the kind of action that needs to be taken to avert a major shock to the economy.

\*\*\*\*\*

Sen. Dick Eliason, a Sitka Republican, is president of the Alaska State Senate.

4-26-94  
JFC  
Sharrock

CS SB 372 (JUD)  
Alcoholic Beverage Control Board

1. LOCAL OPTION

Sec 18, pg 13  
Sec 19, pg 15  
Sec 19, pg 15  
Sec 18, pg 15

- a. menu of options
- b. change an option
- c. remove an option
- d. new
  - 1 - delivery site - regs
  - 2 - catering permit - option

2. TECHNICAL AMENDMENTS

Sec 1, pg 1 New  
Sec 3, pg 2 New  
Sec 5, pg 2 New

- a. package store may not solicit or receive orders through an agent in a local option area.
- b. delete military uniforms in clubs - same as HB 504.
- c. package store licensees can ship only to the purchaser.

Sec 9, pg 4 New  
Sec 24, pg 19

- e. non-renewal by 12/31 - stay open but penalty increases from \$100 to \$500

Sec 15, pg 11 New

- f. board may impose restrictions on a license

Sec 17, pg 13 Tech

- g. local governing body may protest annually

Sec 27, pg 20 Tech

- h. makes half-year licenses biennial to agree with current law

pg 20, line 6 Tech

- i. notice of elections by certified, not "registered" mail

Sec 42 pg 26 New

- k. limit importation amount by ordinance

Sec 48, pg 28 Tech

- l. expands definition of alcohol to include any alcohol intended for consumption



217 Second Street, Suite 200 ■ Juneau, Alaska 99801 ■ Tel (907) 586-1325, Fax (907) 463-5480

April 26, 1994

**TO:** Senator Drue Pearce and Senator Steve Frank, Co-chairs  
and Members  
Senate Finance Committee

**FROM:** Kent E. Swisher, Executive Director

**RE:** **SB 372 - Alcoholic beverages: local option elections**

The Alaska Municipal League opposes the provision included in **CS SB 372 (Jud)** (Section 45) that amends AS 04.21.010(c). The amendment would prohibit municipalities from imposing a sales tax on alcoholic beverages in the absence of a general sales tax and further restrict the ability of municipalities to raise revenues.

At a time when state support for local government is being cut back, local authority to compensate for these cutbacks should not be eroded. The League's *1994 Policy Statement* includes the following statement that applies to the proposed amendment to AS 04.21.010(c):

The League supports broader municipal authority to consider alternatives to property taxes. The League opposes any action that would diminish the existing statutory authority of local governments to tax. The League opposes any efforts by the state that would reduce local tax bases or adversely affect the marketability of municipal bonds. (*1994 Policy Statement*, Part I. Taxation & Finance, D - Local Taxes).

Current law already restricts local governments' authority to impose a sales tax on alcoholic beverages; further restrictions, such as the requirement for a general sales tax, are unwarranted.

The Alaska Municipal League urges you to remove the amendments to AS 04.21.010(c) from SB 372.

94LEGIS:SB372.426

COST FOR BY-MAIL ELECTIONS FOR SB372

The following is a cost estimate for a by-mail local option election in unincorporated areas. Cost estimates are based on 100 voters, as we order ballots in pads of 25 and allowing for additional registration.

| Personnel:   | Estimated Cost:       |
|--|-----------------------|
| Absentee Voting Official available in the city 15 days before the election.<br>(Flat fee of \$50.00 for each city) | Total \$50.00         |
| 1 hour for person to post 40/10 Posters<br>(Total \$8.00 Per Hour)   | Total \$40.00         |
| District Absentee Review Board... 1 City   | Total \$40.00         |
| State Review Board (four board members)<br>\$12.50 Per Hour  | Total \$50.00         |
| Total Cost for Personnel:  | <u>Total \$180.00</u> |

| Outreach/Advertising:  | Estimated Cost:       |
|--|-----------------------|
| 2 - 40/10 Posters per city<br>(Approx. \$2.00 per poster)  | Total \$ 4.00         |
| Printing Advance Flyer (approx. 100 voters)<br>(.15 a copy x 100)                                | Total \$15.00         |
| Newspaper, radio or RATNET advertisement<br>(Newspaper Display Ad is 4" x 4" at \$112.00 ea.)    | Total \$560.00        |
| General Instructions to voters to be included with the ballot. (Based on 100 card at \$1.00 ea.) | Total \$100.00        |
| Total Cost for Advertising:  | <u>Total \$679.00</u> |

Cost for by-mail elections

Ballots:

|   |                       |
|---|-----------------------|
| Ballots for all registered voters<br>(Ballots ordered in pad of 25, 100 at \$.74 ea)  | Total \$74.00         |
| Ballots for each regional offices to act as absentee<br>voting officials. 25 ballots for each election, which<br>can be distributed, 5 to each area. (\$.74 x 25) | Total \$18.50         |
| Sample ballots for all elections<br>(Approx. 25 at \$1.00 ea)   | Total \$25.00         |
| Total cost for ballots:   | <u>Total \$117.50</u> |

Postage:

|  |                      |
|--|----------------------|
| Postage for mailing Advance Flyer<br>(mail first class, \$.29 x 100) or to number of<br>registered voters at time sent | Total \$29.00        |
| Mailing ballots to all registered voters,<br>(based on 500 x \$.29) Mailed first class                                 | Total \$29.00        |
| Shipping charged for sending ballots and materials<br>to the city. (Alaska Airlines Goldstreak)<br>\$25.00 a box       | Total \$ 25.00       |
| Total Cost for Postage/shipping  | <u>Total \$83.00</u> |
| Grand Total  | \$1059.50 or \$1.06  |

# FISCAL NOTE

No. 2

**STATE OF ALASKA  
1994 LEGISLATIVE SESSION**

**BD**

Bill Version: SB 372

(S) Publish Date: 4-12-94

Revision Date: \_\_\_\_\_  
Title: Alcoholic Beverages: Local Option and Miscellaneous

Dept. Affected: Revenue  
BRU: Alcoholic Beverage Control Board

Sponsor: Senate Judiciary by Request

Component: \_\_\_\_\_

Requestor: Senate Community & Regional Affairs Committee

COMPONENT SERIAL NO. 0100

**Expenditures/Revenues: (Thousands of Dollars)**

| OPERATING              | FY95       | FY96       | FY97       | FY98       | FY99       | FY00       |
|------------------------|------------|------------|------------|------------|------------|------------|
| PERSONAL SERVICES      | 0.0        | 0.0        | 0.0        | 0.0        | 0.0        | 0.0        |
| TRAVEL                 | 0.0        | 0.0        | 0.0        | 0.0        | 0.0        | 0.0        |
| CONTRACTUAL            | 0.0        | 0.0        | 0.0        | 0.0        | 0.0        | 0.0        |
| SUPPLIES               | 0.0        | 0.0        | 0.0        | 0.0        | 0.0        | 0.0        |
| EQUIPMENT              | 0.0        | 0.0        | 0.0        | 0.0        | 0.0        | 0.0        |
| LAND & STRUCTURES      | 0.0        | 0.0        | 0.0        | 0.0        | 0.0        | 0.0        |
| GRANTS, CLAIMS         | 0.0        | 0.0        | 0.0        | 0.0        | 0.0        | 0.0        |
| MISCELLANEOUS          | 0.0        | 0.0        | 0.0        | 0.0        | 0.0        | 0.0        |
| <b>TOTAL OPERATING</b> | <b>0.0</b> | <b>0.0</b> | <b>0.0</b> | <b>0.0</b> | <b>0.0</b> | <b>0.0</b> |

|                |            |            |            |            |            |            |
|----------------|------------|------------|------------|------------|------------|------------|
| <b>CAPITAL</b> | <b>0.0</b> | <b>0.0</b> | <b>0.0</b> | <b>0.0</b> | <b>0.0</b> | <b>0.0</b> |
|----------------|------------|------------|------------|------------|------------|------------|

|                                   |            |            |            |            |            |            |
|-----------------------------------|------------|------------|------------|------------|------------|------------|
| <b>REVENUE FUND SOURCE: *1005</b> | <b>0.0</b> | <b>0.0</b> | <b>0.0</b> | <b>0.0</b> | <b>0.0</b> | <b>0.0</b> |
|-----------------------------------|------------|------------|------------|------------|------------|------------|

**FUNDING: (Thousands of Dollars)**

|                          |            |            |            |            |            |            |
|--------------------------|------------|------------|------------|------------|------------|------------|
| 1002 Federal Receipts    | 0.0        | 0.0        | 0.0        | 0.0        | 0.0        | 0.0        |
| 1003 GF Match            |            |            |            |            |            |            |
| 1004 GF                  |            |            |            |            |            |            |
| 1005 GF/Program Receipts | 0.0        | 0.0        | 0.0        | 0.0        | 0.0        | 0.0        |
| 1006 GF/MHTIA            |            |            |            |            |            |            |
| Other                    |            |            |            |            |            |            |
| <b>TOTAL</b>             | <b>0.0</b> | <b>0.0</b> | <b>0.0</b> | <b>0.0</b> | <b>0.0</b> | <b>0.0</b> |

**POSITIONS:**

|           |     |     |     |     |     |     |
|-----------|-----|-----|-----|-----|-----|-----|
| FULL-TIME | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| PART-TIME | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| TEMPORARY | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |

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

**ANALYSIS: (Attach a separate page if necessary.)**

\*Possible revenue increase from penalties under AS 04.11.270(b)(2) for late filing of renewal app

Changes in CSB 372 (sup)  
have no fiscal impact. This  
fiscal note is appropriate.

42594  
date \_\_\_\_\_ Com. Aide (initials) \_\_\_\_\_

Prepared by: Director, Patrick L. Sharrock  
Division: Alcoholic Beverage Control Board  
Approved by Commissioner: Darrel J. Rexwinkel  
Agency: Department of Revenue

Phone: (907) 277-8638  
Date: March 31, 1994  
Date: \_\_\_\_\_

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**Bill Analysis**

Section 59 of this bill increases liquor, wine and beer excise tax rates effective July 1, 1994 as follows.

|        | <i>Current<br/>Tax Rate</i> | <i>CSSB 372 Tax<br/>Rate</i> | <i>%<br/>Increase</i> |
|--------|-----------------------------|------------------------------|-----------------------|
| Liquor | \$5.60/gallon               | \$6.72/gallon                | 20%                   |
| Wine   | \$.85/galion                | \$1.02/gallon                | 20%                   |
| Beer   | \$.35/gallon                | \$.42/gallon                 | 20%                   |

**Operating Costs**

Department of Revenue does not anticipate that this bill will impact its operating costs. Existing forms will be updated to reflect the increased tax rates.

**Revenue**

In determining the amount of additional revenue generated from this bill, Department of Revenue used consumption data available from FY 93. Amounts below do not reflect impacts on consumption, if any, due to increased tax rates and other factors. Additional revenue generated from this bill is estimated to be \$2,379,000 calculated as follows.

|              | <i>FY93<br/>Consumption</i> | <i>FY 93<br/>Revenue</i> | <i>CSSB 372<br/>Revenue</i> | <i>Additional<br/>Revenue</i> |
|--------------|-----------------------------|--------------------------|-----------------------------|-------------------------------|
| Liquor       | 1,100,000 gallons           | \$6,160,000              | \$7,392,000                 | \$1,232,000                   |
| Wine         | 1,288,000 gallons           | 1,094,800                | 1,313,800                   | 219,000                       |
| Beer         | 13,263,000 gallons          | 4,642,000                | 5,570,400                   | 928,400                       |
| <b>Total</b> | <b>15,651,000 gallons</b>   | <b>\$11,896,800</b>      | <b>\$14,276,200</b>         | <b>\$2,379,400</b>            |



Alaska State Legislature  
Senate

Office of the Secretary

OFFICIAL BUSINESS

P.O. BOX V  
CAPITOL BUILDING  
JUNEAU, ALASKA 99811

FOR YOUR IMMEDIATE ATTENTION

DATE:

4-25-94

TO SENATE  
COMMITTEE:

Finance - Kathy Helmquist

FROM: Office of the Senate Secretary

JR/s

The attached fiscal note(s) relate to the following bill(s) pending in your Committee.

Please place the fiscal note inside the front cover of the blue or yellow committee folder.

SB 372

alcoholic beverages, local option

Thank you.

SIGNATURE OF PERSON RECEIVING THIS NOTE

JR/s

# SENATE COMMITTEE REPORT

DATE: 4/12/94

FURTHER: Finance

DATE TURNED INTO OFFICE: 4/25/94

Judiciary Committee considered SENATE BILL NO. 372

"An Act relating to community local options for control of alcoholic beverages; relating to the control of alcoholic beverages; relating to the definition of 'alcoholic beverage'; and providing for an effective date."

and recommends:

replace with \_\_\_\_\_ CS SB 372 JUD  
or  adopt previous \_\_\_\_\_ CS \_\_\_\_\_  
 attaches amendment(s)

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                              |
|----------------------|------|------|-------------------------------------|
| <u>HOV/ELECTIONS</u> |      |      | <input checked="" type="checkbox"/> |
|                      |      |      |                                     |
|                      |      |      |                                     |
|                      |      |      |                                     |
|                      |      |      |                                     |

### PREVIOUS FISCAL NOTES

| Department     | Date | Zero                                | Fiscal |
|----------------|------|-------------------------------------|--------|
| <u>REVENUE</u> |      | <input checked="" type="checkbox"/> |        |
|                |      |                                     |        |
|                |      |                                     |        |
|                |      |                                     |        |
|                |      |                                     |        |

Appropriation No Fiscal Note

### DO PASS:

Rick Halford - when amended  
Berg DA-10

### OTHER RECOMMENDATIONS:

Suzanne Little N

Adrian L. Taylor  
Chair: Signature and Recommendation

**SENATE COMMITTEE REPORT**  
(FIRST COMMITTEE OF REFERRAL)

DATE: 3/30/94

FURTHER: JUDICIARY  
FINANCE

Date of 5-Day Notice: 4/7/94  
(in accordance with Uniform Rule 23)

DATE TURNED INTO OFFICE: 4-12-94

The Community and Regional Affairs Committee considered SENATE BILL NO. 372

"An Act relating to community local options for control of alcoholic beverages; relating to the control of alcoholic beverages; relating to the definition of 'alcoholic beverage'; and providing for an effective date."

and recommends: and do pass

replace with \_\_\_\_\_ CS \_\_\_\_\_

- same title
- new title
- technical title change (HB only)

attaches amendment(s)

adopts \_\_\_\_\_ Letter of Intent

further referral to the \_\_\_\_\_

do pass

do not pass

no recommendation

individual recommendations

*FN & FPN*

**FISCAL NOTE INFORMATION**

| Department       | Date    | Zero | Fiscal |
|------------------|---------|------|--------|
| DOR              | 3/31/94 | 0    |        |
| Div of Elections | 4/7/94  |      | \$1.06 |
|                  |         |      |        |
|                  |         |      |        |
|                  |         |      |        |

| Department | Date | Zero | Fiscal |
|------------|------|------|--------|
|            |      |      |        |
|            |      |      |        |
|            |      |      |        |
|            |      |      |        |
|            |      |      |        |

Appropriation No Fiscal Note

Governor's Bill with Previous Fiscal Notes (enter information above)

**DO PASS?**

Al Adams

**OTHER RECOMMENDATIONS:**

Paul J. Zboroff

John L. Taylor

Loren A. Adams

2000 E. 3000 No Pas  
Chair: Signature and Recommendation

**SB**

**373**

**SFIN**

**FILE**

# SENATE FINANCE COMMITTEE REPORT

DATE: 3/31/94

FURTHER:

Date of 5-Day Notice: 4-7-94  
(in accordance with Uniform Rule 23)

DATE TURNED INTO OFFICE: 4-19-94

The Finance Committee considered **SENATE BILL NO. 373**

"An Act relating to a comprehensive state financial plan and to the Solving Alaska's Fiscal Emergency (S.A.F.E.) Commission; and providing for an effective date."

and recommends:

replace with \_\_\_\_\_ CS SB 373 (FINANCE)  
or  adopt previous \_\_\_\_\_ CS \_\_\_\_\_  
 attaches amendment(s)

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            |
|------------|---------|------|-------------------|
| LAA        | 4/19/94 |      | 300.0 / Reapprop. |
|            |         |      |                   |
|            |         |      |                   |
|            |         |      |                   |
|            |         |      |                   |

**PREVIOUS FISCAL NOTES**

| Department | Date | Zero | Fiscal |
|------------|------|------|--------|
|            |      |      |        |
|            |      |      |        |
|            |      |      |        |
|            |      |      |        |
|            |      |      |        |

Appropriation No Fiscal Note

DO PASS.

*Tim Kelly*

OTHER RECOMMENDATIONS:

*Steve Davis*  
*Ben Thompson No Rec*

1. *Tim Kelly 10/23/93*  
Co-Chair: Signature/Recommendation

2. *Steve Davis No Rec*  
Co-Chair: Signature/Recommendation

# FISCAL NOTE

STATE OF ALASKA  
1994 LEGISLATIVE SESSION

NO. \_\_\_\_\_  
BILL VERSION: SB 373  
PUBLISH DATE: \_\_\_\_\_

Revision Date: \_\_\_\_\_  
Title: "An Act relating to a comprehensive state financial plan...."  
Sponsor: Senate Finance  
Requestor: Senate Finance

Department Affected: Legislature  
BRU: Senate Finance Committee  
Component: Senate Finance Committee

COMPONENT SERIAL NO:

**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                 | 50.0         | 0        | 0        | 0        | 0        | 0        |
| CONTRACTUAL            | 250.0        | 0        | 0        | 0        | 0        | 0        |
| SUPPLIES               | 0            | 0        | 0        | 0        | 0        | 0        |
| EQUIPMENT              | 0            | 0        | 0        | 0        | 0        | 0        |
| LAND & STRUCTURES      |              |          |          |          |          |          |
| GRANTS, CLAIMS         |              |          |          |          |          |          |
| MISCELLANEOUS          |              |          |          |          |          |          |
| <b>TOTAL OPERATING</b> | <b>300.0</b> | <b>0</b> | <b>0</b> | <b>0</b> | <b>0</b> | <b>0</b> |

|                |   |   |   |   |   |   |
|----------------|---|---|---|---|---|---|
| <b>CAPITAL</b> | 0 | 0 | 0 | 0 | 0 | 0 |
|----------------|---|---|---|---|---|---|

|                            |   |   |   |   |   |   |
|----------------------------|---|---|---|---|---|---|
| <b>REVENUE FUND SOURCE</b> | 0 | 0 | 0 | 0 | 0 | 0 |
|----------------------------|---|---|---|---|---|---|

**FUNDING: (Thousands of Dollars)**

|                   |               |          |          |          |          |          |
|-------------------|---------------|----------|----------|----------|----------|----------|
| GENERAL FUND      | *300.0        | 0        | 0        | 0        | 0        | 0        |
| FEDERAL FUNDS     |               |          |          |          |          |          |
| OTHER FUND SOURCE |               |          |          |          |          |          |
| <b>TOTAL</b>      | <b>*300.0</b> | <b>0</b> | <b>0</b> | <b>0</b> | <b>0</b> | <b>0</b> |

\*Funding from reappropriated Senate Finance Committee funds.

**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 impact: \_\_\_\_\_

**ANALYSIS: (Attach a separate page if necessary)**

SB 373 establishes the Solving Alaska's Fiscal Emergency (S.A.F.E.) Commission, consisting of 9 members, who will develop and update a comprehensive four-year financial plan for the State. The Commission will submit a final report to the Legislature on or before February 1, 1995.  
(See page 2 for continuation)

Prepared By: Karla Schofield, Deputy Director  
Division: Administrative Services

Phone: 465-3852

Date: 4/19/94

Approved By: Pamela A. Stoops, Executive Director  
Agency: Legislative Affairs Agency

Date: 4/19/94

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

CONTINUATION OF FISCAL NOTE: SB 373

Travel

Travel funds for members of the Commission. 50.0

Contractual

Contractual funds for contracting with financial and budgeting experts. 250.0

300.0

4-19-94  
TKZ  
Adopted

WORK DRAFT

WORK DRAFT

WORK DRAFT

8-LS1876J  
Cook  
4/19/94

Replace  
"Emergency"  
with  
"Exigency"  
Adopted

CS FOR SENATE BILL NO. 373( )  
IN THE LEGISLATURE OF THE STATE OF ALASKA  
EIGHTEENTH LEGISLATURE - SECOND SESSION

BY

Offered:  
Referred:

Sponsor(s): SENATE FINANCE COMMITTEE

A BILL

FOR AN ACT ENTITLED

1 "An Act relating to a comprehensive state financial plan and to the Solving  
2 Alaska's Fiscal Exigency (S.A.F.E.) Commission; and providing for an effective  
3 date."

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

5 \* Section 1. SOLVING ALASKA'S FISCAL EMERGENCY COMMISSION. (a) There  
6 is created in the legislative branch the Solving Alaska's Fiscal Emergency (S.A.F.E.)  
7 Commission to develop a comprehensive six-year financial plan for the state. The commission  
8 consists of the governor or the governor's designee, two public members appointed by the  
9 governor, the president of the senate or the president's designee, two public members  
10 appointed by the president of the senate, the speaker of the house of representatives or the  
11 speaker's designee, and two public members appointed by the speaker of the house of  
12 representatives. The public members may not be elected officials of the state. The members  
13 of the commission shall elect public members to serve as chair and vice-chair of the  
14 commission.

1 (b) The commission shall

2 (1) review and identify anticipated state expenditures, recurring revenue,  
3 reserves, and potential revenue sources;

4 (2) review and identify fiscal assumptions concerning state finances that have  
5 been made by planners and financial managers in government and the private sector;

6 (3) recommend strategies for generating sustainable sources of future state  
7 revenue and legislation to implement the recommendations;

8 (4) if new taxes are recommended, investigate specific tax structures and  
9 revenue consequences and submit draft legislation to implement the recommendations;

10 (5) disseminate information and solicit public input from the various regions  
11 of the state in the development and review of the proposed financial plan and tax proposals;

12 (6) review state programs, especially formula-driven programs, and recommend  
13 deductions in state expenditures to reach a sustainable level;

14 (7) recommend structural changes to the way the state budget is prepared to  
15 ensure that the governor and the legislature have information on which to base decisions.

16 (c) The commission may

17 (1) hire staff;

18 (2) hold public hearings; and

19 (3) adopt rules for the conduct of its business.

20 (d) Public members of the commission are entitled to per diem and travel expenses  
21 authorized under AS 39.20.180.

22 (e) The commission shall submit a final report to the legislature on or before  
23 February 1, 1995. The report must contain a comprehensive state financial plan for fiscal  
24 years 1996 - 2001, together with recommended legislation to implement the plan. The  
25 commission is terminated February 1, 1995.

26 \* Sec. ? This Act takes effect immediately under AS 01.10.070(c).



APR 01 1994

March 29, 1994

Senator Drue Pearce, Co-Chair  
Senate Finance Committee  
State Capitol  
Juneau, Alaska 99811

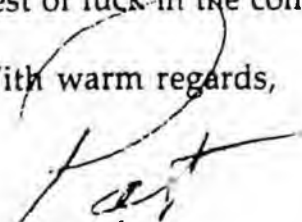
Dear Drue:

Thank you so much scheduling time in your busy Finance Committee schedule for members of the Commonwealth Board to present the organization's budget recommendations.

We greatly appreciated the opportunity to share these recommendations with you and Committee members and your thoughts on possible implementation. Enclosed is a copy of some specific suggestions for a financial planning commission which we faxed to your office earlier this week. Thank you for your consideration of introducing this proposed legislation. We stand ready to assist you further on this in any way we can.

Best of luck in the coming weeks, which I know can be trying.

With warm regards,

  
Pat Pourchot  
Executive Director

Enclosure

# CWN PROPOSED LEGISLATION CREATING THE ALASKA COMMISSION FOR FINANCIAL PLANNING

## Establishment

An Alaska Commission for Financial Planning established by legislation to develop and update a comprehensive four-year financial plan for the state.

The Commission would be appointed immediately upon passage and would conduct work during the interim. A final report containing a proposed four-year financial plan would be submitted to the Legislature and the Governor by February 1, 1995.

The Legislature would have to pass a resolution supporting, modifying or rejecting the proposed plan within 45 days of submission.

After the first year, the Commission would annually review and update the financial plan. Plan updates would be submitted to the Legislature and the Administration by September 15 of each year beginning in 1995 and would be addressed within 45 days of the beginning of the following legislative session.

## Membership

The Commission would consist of the following members:

- 1) A member of the House of Representatives appointed by the Speaker
- 2) A member of the State Senate appointed by the President
- 3) An official of the Administration appointed by the Governor
- 4) A Trustee of the Permanent Fund appointed by the Chairman
- 5) An official of the University of Alaska appointed by the President of the UA
- 6-11) 2 members of the public selected by each of the following: The Governor, the presiding officer of the Senate, the presiding officer of the House.

The Commission would select a chair and vice-chair from among the public members. Members would serve without compensation but are entitled to travel expenses and per diem. Designees would not be permitted.

All public members would initially serve until April 1, 1995. Thereafter, public members would serve staggered terms of three years (i.e. two members would be appointed annually).

## Duties

- Review and identify anticipated expenditures, recurring revenues, reserves, other potential revenue sources and fiscal assumptions for each of the next four fiscal years.
- Quantify any expected shortfall between revenues and expenditures for each of the next four fiscal years and recommend methods of addressing the shortfall.
- Recommend strategies for generating sustainable sources of future revenue and recommend any needed legislation.
- If new taxation actions are recommended, investigate specific tax structures and revenue consequences and submit a draft taxation proposal when the financial plan is submitted.
- Disseminate information and solicit public input from the various regions of the state in the development and the review of a draft financial plan and any taxation proposal.
- Hire staff and consultants as needed to conduct the business of the Commission.



# **BUDGET RECOMMENDATIONS FOR ALASKA**

**BREAKING THE FALL**

## **BREAKING THE FALL: BUDGET RECOMMENDATIONS FOR ALASKA**

Declining oil production and low oil prices are bringing Alaska's state government closer to the financial cliff—but we can still save ourselves from falling over the edge.

The state currently faces a \$1 billion budget deficit and will face future deficits, because oil revenues—which pay 85 percent of government costs—are declining.

Commonwealth North (CWN) proposes budget actions the state should take *immediately*, and others it should take over the next four years.

CWN recognizes that some of these actions are politically unpopular and will be strongly resisted. But if we don't begin now, there will soon be a steep fiscal drop that will require far more draconian remedies.

These recommendations grew out of CWN's October 1993 budget conference and subsequent work by a CWN budget committee. All the tools for closing the state's "fiscal gap", as identified by Scott Goldsmith of the University of Alaska Anchorage's Institute of Social and Economic Research, are utilized in these recommendations.



March 1994



Commonwealth North is a non-profit corporation, organized and existing under the laws of the State of Alaska. It addresses state and national public policy issues and involves approximately 400 of Alaska's leaders and concerned citizens representing business, labor, education, public service and the Alaska Native community. It was founded in 1979 on a bipartisan basis by Governor William A. Egan and Governor Walter J. Hickel.

The goals of the organization include: Strengthening the private sector of our economy; Understanding Alaska's role in the larger world; Educating members on major issues affecting our state and nation; Influencing state and national public policy decisions by providing a forum for nationally recognized speakers and conducting studies of critical issues facing the state and the nation.

### **COMMONWEALTH NORTH BOARD OF DIRECTORS**

#### **Founding Co-Chairmen**

Governor Walter J. Hickel  
the late Governor William A. Egan

#### **President**

Lee Gorsuch

#### **Executive Director**

Pat Pourchot

Skip Bilhartz, Vice President  
Perry Eaton, Vice President  
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Susan Ruddy

Bill Allen  
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Governor Steve Cowper  
Karen Hunt  
Loren Lounsbury  
John Morgan  
William J. Tobin

Robert B. Atwood  
Judy Brady  
Fuller Cowell  
Robert Hatfield, Jr.  
Archbishop Francis Hurley  
Jim McElroy  
Governor Bill Sheffield  
Dr. F. Thomas Trotter

### **COMMONWEALTH NORTH BUDGET STUDY COMMITTEE**

**Chair:** Lee Gorsuch  
Robert B. Atwood  
Roger Cremo  
Karen Hunt  
Bill McHugh  
Susan Ruddy

Mike Abbott  
Judy Brady  
Gene Dusek  
Marc Langland  
Nancy McHugh  
Larry Wiget

Jane Angvik  
Milton Byrd  
Joe Griffith  
Jim McElroy  
Kristen Nelson  
Thomas A. Wilson II



**935 West Third Avenue  
Anchorage, Alaska 99501  
(907) 276-1414**

# WHAT THE STATE SHOULD DO NOW

## RECOMMENDATIONS

## FISCAL IMPLICATIONS

### Cut Spending

- Freeze the operating budget below current levels. \$60 million reduction in FY 95.
- Reduce the capital budget to below historic levels. A \$100 million budget is \$150 million below historic levels and \$516 million below FY 94.
- Cap Permanent Fund Dividend expenditures at current levels. Save at least \$34 million in FY 95.

### Increase Revenues

- Increase taxes and user fees. Consider increasing "sin." motor fuel and fish taxes. Up to \$90 million in new revenues annually.
- Change the statutory priority to inflation-proof Permanent Fund first. Could add \$850 million more to principal by 2005, depending on use of Earnings Reserve.
- Encourage increased oil exploration and development. 100,000 bbl/day increase in production yields \$50-100 million/year.

### Get A Plan

- Create Alaska Finance Commission with administrative, legislative and public members to produce a four-year financial plan. Year-to-year predictability and stability of revenues and expenditures. *UNANIMOUS APPROVAL*
- Develop a plan for saving, consolidating and providing prudent access to reserves and non-recurring future revenues. Existing and future reserves (\$1-\$3 billion) protected from short-term liquidation. Total reserves available would be predictable.
- Create income tax commission including legislative, administrative, and public members to hold hearings, analyze tax structures and submit a tax proposal to the legislature in Jan. 1995. Revenues (\$250-400 million) from an income tax will take a minimum of two years from enactment to fully realize.

*Structure - must ... that produce totals ...  
 ... of bogged down components -  
 ... changes as a model ... the parts don't  
 ... it's whole.*

*Asst. Sec. ...*

# PUTTING THE BUDGET TOOLS TO WORK

## REDUCE STATE SPENDING

In recent years state spending has far exceeded normal recurring revenues. The State has used windfalls, tax settlements, and reserves to fill the gap.

Alaska must cut spending before taking any other steps to balance the budget. The State can significantly reduce spending over time by holding the budget at current levels and absorbing inflation and population growth. Such action would allow the state to maintain basic services and avoid serious disruption of Alaska's economy, which relies heavily on state spending. Officials would be forced to set spending priorities, increase efficiency, and make cuts.

Alaska must immediately draw up a long-term financial plan. Successive administrations and legislatures have simply budgeted from year to year, depleting a large share of reserves, making state spending volatile, and risking Alaska's long-term financial health.

## SAVE RESERVES

Despite the State's lack of discipline in spending reserves in recent years, considerable reserves remain—including more than \$800 million in the Constitutional Budget Reserve Fund (CBR), \$1.1 billion in the Earnings Reserve Account (ERA) of the Permanent Fund and perhaps \$1 to \$3 billion in outstanding legal disputes.

We assume that the State will spend as much as \$800 million of existing reserves this year to meet unexpectedly large deficits for fiscal years 1994 and 1995. We also assume that the legislature will address the nearly \$1 billion court-ordered deposit to the CBR. Still, as much as \$1.2 billion in reserves will remain—either in the CBR or in the ERA. But, projected deficits for the next two to three years could equal most of these remaining reserves.

Neither the CBR nor the ERA appears adequately protected from easy, short-term access or, on the other hand, structured to allow realistic flexibility to meet unforeseen future circumstances. We must determine a better way to consolidate and husband the reserves we still have and those we expect to get in the future. Any restrictions on these funds that would bind future legislatures would require a constitutional amendment.

## PROTECT THE PERMANENT FUND

The legislature can't spend the principal of the Permanent Fund, but it can appropriate the earnings. About half is used to pay dividends to Alaskans. Paying dividends takes precedence over any other use of earnings.

Earnings should go toward inflation-proofing the Fund first. In the future under current law paying dividends will use so much of the earnings that there won't be enough left to fully inflation-proof the Fund, and there will be no earnings available to help pay for general government.

The amount that goes toward paying dividends should first be capped and then reduced \$50 million per year over the next several years. The dividend program could continue, although dividends would be smaller. Remaining earnings would stay in the earnings reserve and be available to help pay for general government.

## BROADEN TAX BASE

Increasing some existing taxes and user fees—like alcohol, tobacco, motor fuel and fish taxes—could fill a small part of the gap and help pay for state services.

Alaska will need an income tax in the near future. If it could raise an estimated \$250-400 million annually, it is progressive, it is deductible against federal taxes and it taxes wages of non-resident workers. It could also help capture and pay for benefits of development, without impeding the competitiveness of the development.

The State should immediately create a tax commission to determine by January, 1995, how best to structure an income tax. It would take at least two years after enactment for full tax revenues to flow into the state treasury.

## PROMOTE ECONOMIC DEVELOPMENT

The lion's share of state revenues in the foreseeable future will—despite the overall decline in production—still be from oil development. Development of new, smaller oil fields is possible and should be encouraged.

The State should continue to promote development of a gasline to carry natural gas from the North Slope, the lifting of the ban on the export of North Slope oil, and the opening of the Arctic National Wildlife Refuge to oil development. But we can't count on those developments for future state revenues.

The State should provide a positive climate for development. Resource developments other than oil would provide relatively little state revenue under the current tax system. But new developments can benefit local governments through property and other local taxes—which could help offset reduced state aid to local governments. Also, a state income tax could capture the benefits of new economic development and jobs by taxing increased personal income.

# WHAT THE STATE SHOULD DO OVER THE NEXT FOUR YEARS

## RECOMMENDATIONS

- Hold future budgets below inflation and population growth. Reductions achieved by:
  - Limiting growth of formula/entitlement programs
  - Phasing out unique programs not based on need.
  - Restructuring programs for efficiencies, privatization opportunities, possible local government responsibility and wage, benefit savings.
- Reduce, but not eliminate, total Permanent Fund Dividend expenditures over time.
- Reimpose a personal income tax.
- Establish a consolidated account for existing reserves and future non-recurring revenues with restrictive access provisions, including super majority vote and maximum annual withdrawal.
- Emphasize equities in Permanent Fund investments.
- Re-evaluate the inflation-proofing mechanism and dividend program to reflect Permanent Fund unrealized capital gains, earnings and asset allocations.
- Provide a positive economic and regulatory climate for future developments.
- Continue to promote the marketing of North Slope natural gas, the opening of Alaska National Wildlife Refuge and lifting of the oil export ban.

## FISCAL IMPLICATIONS

Up to 5% annual reduction in inflation-adjusted dollars; Reduces state spending by \$100-120 million annually, or a cumulative budget cut of nearly \$500 million by 1998.

Reducing expenditures by \$50 million/year would save \$278 million in FY 98. Would permit individual dividends of approximately \$675 in FY 98.

Could raise \$250-400 million in revenues annually.

Existing and future reserves (\$1-3 billion) would be protected from short-term liquidation. Total reserves available would be known and predictable and could be used as needed over many years.

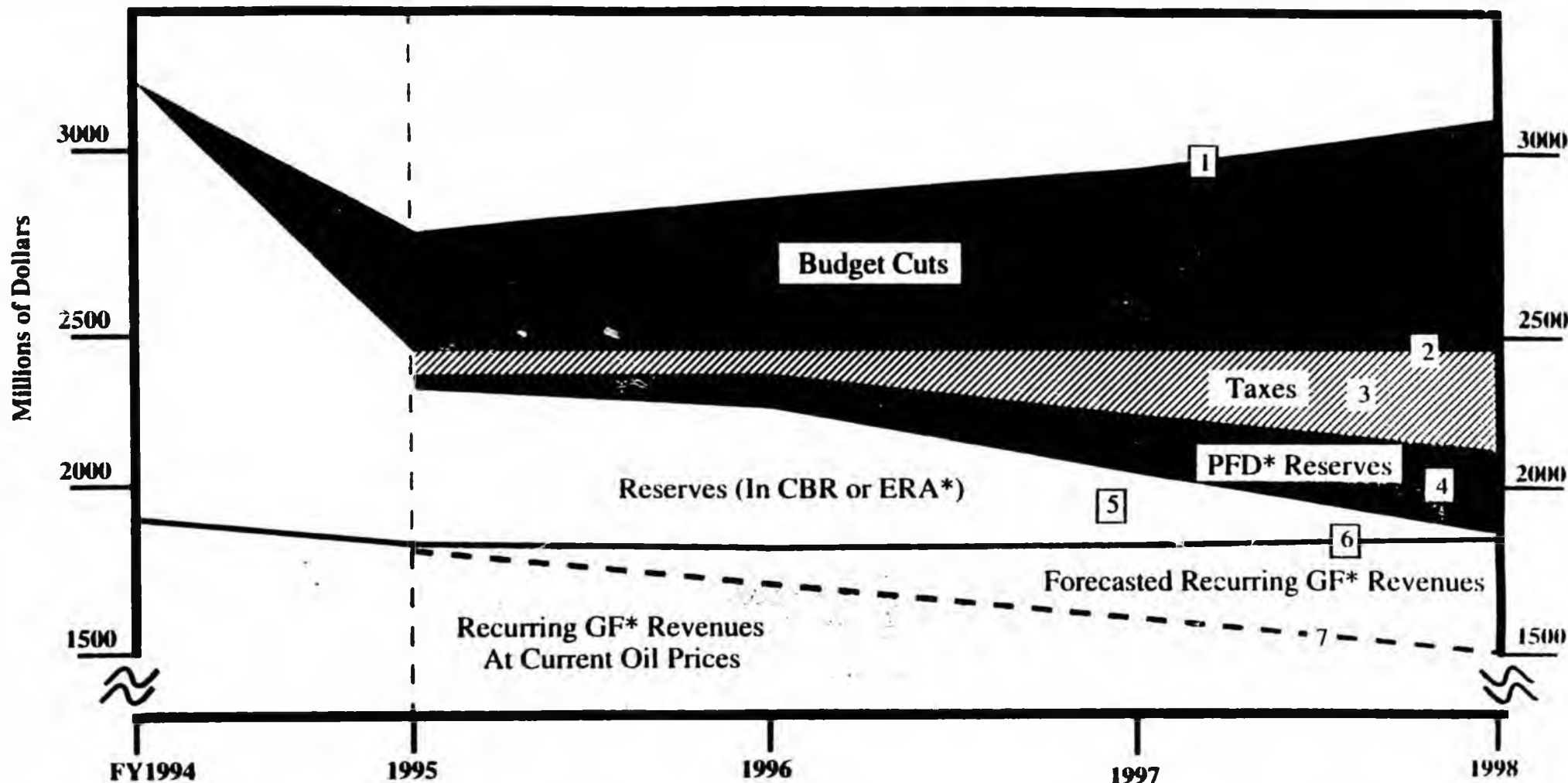
Equities have outperformed other investments over time and have earned returns well in excess of inflation. A 1% increase in the Fund's earnings equals \$186 million in FY 2000.

Currently unrealized gains are not calculated in the Fund's value. The decision to take capital gains may be affected by potential impacts on annual earnings, inflation-proofing and dividends. Some inflation-proofing is occurring through equity investment.

Diversified development would build an employment base to help offset declining oil revenues.

A gasline could contribute \$250-450 million annually, ANWR development \$0.8-\$2.5 billion annually and the export ban repeal \$150-200 million.

# FISCAL IMPLICATIONS OF CWN RECOMMENDATIONS



**Notes:**

1. Maintenance level budget (operating budget 3% growth, \$300 mil. capital)
2. CWN recommended total spending cap (\$2.46 billion)
3. Income tax comes in 1/2 year in 1997, full year 1998
4. PFD reductions from status quo; increase \$ in ERA available for appropriation
5. Existing reserves remaining in FY98 - about \$500 million
6. Dept. of Revenue forecast: FY94, Actuals; FY95, 2/94 forecast; FY96-98, Fall '93 low-case (\$15-17/bbl.)
7. Estimated revenues at current oil prices(\$13.25/bbl.)

CBR: Constitutional Budget Reserve Fund  
 ERA: Permanent Fund Earnings Reserve Account  
 PFD: Permanent Fund Dividends  
 GF: Unrestricted State General Funds

# COMMONWEALTH NORTH BUDGET CONFERENCE



# CLOSING THE GAP

October 20 - 21, 1993  
Anchorage, Alaska



Commonwealth North is a non-profit corporation, organized and existing under the laws of the State of Alaska. It addresses state and national public policy issues and involves approximately 400 of Alaska's leaders and concerned citizens representing business, labor, education, public service and the Alaska Native community. It was founded in 1979 on a bipartisan basis by Governor William A. Egan and Governor Walter J. Hickel.

The goals of the organization include: Strengthening the private sector of our economy; Understanding Alaska's role in the larger world; Educating members on major issues affecting our state and nation; Influencing state and national public policy decisions by providing a forum for nationally recognized speakers and conducting studies of critical issues facing the state and the nation.

**A report by**  
Commonwealth North  
935 West Third Avenue  
Anchorage, Alaska 99501  
(907) 276-1414



February 1994

Dear Conference participant and Commonwealth North member:

I am pleased to present this summary of the proceedings and conclusions of the Commonwealth North Budget Conference held in October, 1993. Over 125 members and guests participated in the Conference. The findings and conclusions are the product of five work groups involving nearly 60 citizens. I commend the work groups for their interest and time in seeking solutions to one of the most critical issues facing Alaska.

On behalf of Commonwealth North, I want to thank Governor Walter Hickel, former Governors Jay Hammond and Bill Sheffield, the state officials, state legislators and other presenters who shared their views and valuable information with us. We are also indebted to the facilitators, resource people and recorders who worked with each discussion group.

Recent court rulings and falling oil prices have further heightened our awareness of the seriousness of our budget problems. But, these short-term crises and their short-term fixes should not deflect our view from the fundamental long-term "budget gap" and the need for hard choices in the future.

I recommend this budget conference summary to you as a thoughtful set of considerations and recommendations on how Alaska could confront and manage the serious fiscal problems associated with long-term declines in oil production.

Sincerely,

Lee Gorsuch  
President

*Founding Co-Chairmen Governor Walter J. Hickel and the late Governor William A. Egan*  
• Lee Gorsuch, President • H. L. "Skip" Bilhartz, Vice President • Jeff Lowenfels, Vice President  
• Perry Eaton, Vice President • Jane Angvik, Secretary • Marc Langland, Treasurer  
• Bill Allen • Robert B. Atwood • Richard F. Barnes • Judith M. Brady • Janna Brattain  
• Fuller Cowell • Governor Steve Cowper • Robert Hatfield Jr. • Judge Karen L. Hunt  
• Archbishop Francis Hurley • James Linxwiler • Loren H. Lounsbury  
• Jim McElroy • William McHugh • John Morgan • Susan L. Ruddy • Governor William Sheffield  
• William J. Tobin • Dr. F. Thomas Trotter

935 West Third Avenue • Anchorage, Alaska 99501 • 907-276-1414 • FAX 907-276-6350



## *Introduction*

Commonwealth North was founded with the goal of bringing together Alaska's business and civic leaders to learn about, discuss and make recommendations on major public policy issues facing our state. Perhaps no issue affecting the economic and social fabric of Alaska looms larger than the inexorable decline in production from the North Slope oil fields. Taxes and royalties from these fields account for nearly 85% of current revenues to state government.

It is clear that major public policy decisions must be made over the next 10 years to bridge "the gap" expected between current revenue sources and spending levels. UAA's Institute of Social and Economic Research (ISER) laid out five approaches to address this gap: 1) Budget reductions; 2) Use of reserves; 3) Implementation of new taxes; 4) Use of Permanent Fund earnings; and 5) Increased economic development. Each and all of these involve tough fiscal, economic and political choices.

In November of 1992 Governor Hickel hosted an Economic Summit which brought together leaders from all over the state to review state revenue and spending projections, discuss the ISER fiscal tools and to make recommendations for future actions. Some things have changed since then, but the critical problem created by declining revenues still lies largely unaddressed.

This conference was designed to follow the format of the Governor's Economic Summit. Participants were asked to review and discuss the Summit recommendations, the ISER strategy and events following the Summit. Commonwealth North members and invited guests were asked to develop recommendations for actions needed over the next 10 years. It is believed that the views and recommendations of concerned citizens and civic leaders can influence our public policy makers and shape Alaska's future.

## *Proceedings*

Over 125 members of Commonwealth North and invited guests participated in at least part of the two-day conference held October 20 and 21, 1993. Approximately 60 people participated in one of the five small discussion groups which formulated recommendations (see Appendix I for a list of group participants).

The conference began on October 20 with a two-hour budget and revenue briefing by Shelby Stastny, Director of the Office of Management and Budget, and Chuck Logsdon, Petroleum Economist for the Department of Revenue. A view of future revenues by Tom Williams of BP Exploration (Alaska) and legislative perspectives by Rep. Mark Hanley and Rep. Kay Brown were also presented.

The following morning, October 21, a breakfast briefing was held with Governors Hickel, Sheffield and Hammond who gave their experiences and views on needed budget actions. Following the Governors, the following presentations were made:

- Operating budget overview and reserves, Shelby Stastny, Director OMB
- Revenues and taxes, Darrel Rexwinkel, Commissioner Dept. of Revenue
- The Permanent Fund, Jim Kelly, Alaska Permanent Fund Corporation
- Economic development, Paul Fuhs, Commissioner Department of Commerce and Economic Development
- Defining the "gap" and putting the pieces together, Scott Goldsmith and Lee Gorsuch, UAA ISER

After the presentations people broke into five discussion groups. Members were preassigned groups in an effort to create diverse group memberships. Each group had 11-13 members including a facilitator, a recorder and at least one resource person having budget expertise.

The groups were to review the information presented by the speakers, the results of the Governor's Economic Summit and subsequent legislative actions. Each participant was given a notebook with written materials tracking the presentations on spending, revenues, taxation, the Permanent Fund, economic development and the ISER strategy. The groups had approximately four and one-half hours to discuss the issues and make recommendations as to actions needed to meet the projected budget "gap." Each group presented a summary of its recommendations to all the reassembled groups at the end of the day.

Appendices II and III illustrate the projected "gap" and major fiscal tools suggested in the ISER strategy. See Appendix IV for summaries and comparisons of the Governor's and other economic summits.



# Budget Conference Summary

## *Areas of General Agreement*

- **The "Gap."** All the working groups agreed that there was a fiscal "gap" now, that it was growing, that it will be substantial in the near future and that actions need to be taken now.
- All the groups felt that no single action was sufficient to meet the "gap", but that most, if not all, the fiscal tools identified in the ISER strategy must be implemented by 2005.
- **Spending.** Most groups recognized the real political and programmatic problems of further large budget cuts. However, various approaches were suggested to find efficiencies, re-prioritize and hold the line on future spending increases. Most assumed that savings in real dollars could accrue over time if programs were not allowed to increase with inflation and population growth. No specific programs were consistently targeted for cuts or reductions.
- **Reserves.** All groups recognized the need to use liquid reserves but felt that better mechanisms were needed to capture and husband reserves and non-recurring revenues for future use, rather than spending them as they become available.
- **Taxes.** All groups recommended new taxes for meeting the "gap", and all suggested the reimposition of the personal income tax as the preferred form. It was felt that the income tax was the most progressive (least impact on those with lowest income), could capture non-residents' income earned in Alaska, and was the best method for the state to pay for and benefit from economic developments.
- **Permanent Fund.** All groups recommended that the Permanent Fund principal and inflation-proofing monies not be used. No group recommended eliminating the dividend. However, a majority recommended that the dividends be capped, and that earnings beyond dividends and inflation-proofing be used for general government or deposited in the Permanent Fund to generate future earnings.
- **Economic Development.** Most groups felt that any new economic developments would be based largely on market conditions and economic decisions outside the control of the state. However, a stable tax policy and removal of regulatory hurdles by the state would be helpful. No group believed that large-scale economic development would result in revenues substantially reducing the budget "gap" by 2005.

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## *Other Recommendations*

- Two groups gave serious consideration to a proposal by Roger Cremo in which all reserves and natural resource revenues would be deposited in the Permanent Fund. A fixed percentage would be allocated from the Fund for expenditure each year to maintain a stable and predictable budget and economic climate. Permanent Fund dividends would be paid out of the same earnings stream in competition with all other spending. Additional non-resource revenues would be needed to meet expected expenditures.

There remain questions on the mechanics of the proposal, particularly the method and length of the phase-in until the "pay-out" from the Fund would reach a constant percentage of the principal.

- Two mechanisms were suggested for helping reduce spending. The first was a "Gramm-Rudman" type of forced ratcheting down. The second was the creation of a new Commission similar to the Federal Base Closure Commission. The Commission budget recommendations would have to be accepted or rejected *in toto* by the Legislature or Administration.



# Group 1

## Summary of Conclusions/Recommendations

### **The Budget Gap**

The "budget gap" is real and it will grow substantially over the next 10 years. A target "gap" of \$2.3 billion was utilized by the year 2005.

### **Spending**

An initial budget cut of \$300 million or roughly 10% should be made. Then, the budget should be reduced annually by holding it constant or not letting it rise with inflation. Real dollar reductions of \$900 million would be targeted for 2005.

### **Reserves**

The group assumed reserves of \$2-4 billion from litigation and tax settlements over the next 10 years, and that most would be needed to balance the budget. Approximately \$300 million would be needed annually on average.

### **Taxes**

"Like it or not" the group felt increased taxes were required in the next 10 years. Most of the estimated \$500 million needed from new taxes would come from reimposition of an income tax. One advantage of such a tax would be the capturing of non-residents who utilize state resources and employment. Other taxes mentioned were increased fish taxes and a school tax.

### **Permanent Fund**

The principal and inflation-proofing should not be spent or altered. However, monies from the Earnings Reserve Account and current dividends would be needed. By 2005, \$200 million would be expended annually from the earnings reserve and \$200 million from monies that would otherwise go to the dividends (currently about \$530 million goes to dividends).

### **Economic Development**

Revenues from new or increased economic development were not substantially relied upon to fill the "gap." New revenues of \$20 million each year would result in \$200 million in revenues in 2005.



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## Group 1

### Facilitator:

Jane Angvik                      Alaska Native Heritage Park

### Participants:

|                  |                                       |
|------------------|---------------------------------------|
| Mike Abbott      | Alyeska Pipeline Service Company      |
| Bill Blessington | Port of Anchorage                     |
| Julius Brecht    | Wohlforth, Argetsinger                |
| Louann Cutler    | Preston, Thorgrisom                   |
| Dick Green       | Natural Garden Supply                 |
| Mark Holland     | Exxon Company USA                     |
| Jim Maley        | Alaska Children's Services            |
| Joe Marks        | Marenco/Anchorage School Board        |
| Craig Renkert    | UAA Small Business Development Center |

### Resource:

Scott Goldsmith                      University of Alaska Anchorage/ISER

### Recorder:

Alice Galvin                      Anchorage Telephone Utility

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## **Group 2**

### **Summary of Conclusions/Recommendations**

#### **The Budget Gap**

The "budget gap" is real and it will grow substantially over the next 10 years.

#### **Spending**

While no target numbers were used, it was generally felt that some type of "Gramm-Rudman" approach to the budget was necessary to force cuts and let the system "sort out" and look for efficiencies and priorities. A target of 1-2% real cuts annually was discussed. A review of programs is needed to institute needs-based standards, including student loans and pioneer homes. Institute a mechanism to reward efficiencies, especially in the school foundation program.

#### **Reserves**

No specific recommendations were made, although there was considerable interest in a proposal advocated by Roger Cremo wherein all reserves and natural resource revenues would be placed in the Permanent Fund. A fixed amount of earnings would be earmarked annually for expenditure.

#### **Taxes**

While most felt reimposition of an income tax would be needed in the next 10 years, there was considerable debate on the timing of enactment. A point of agreement was that the framework of an income tax should be established in the near future at a zero rate which could be increased later as needed. One advantage of such a tax would be the capturing of non-residents who utilize state resources and employment. Other taxes mentioned were increased taxes on fisheries and tourism.

#### **Permanent Fund**

No specifics were recommended, however, as mentioned above, there was considerable interest in the Cremo proposal. Under this plan the Permanent Fund dividend would be paid out of the same annual earnings allocation forcing competition with all other budget items.



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## Economic Development

There should be efforts to "Alaskanize" our industries such as fishing and tourism to increase employment and revenue opportunities. There appears little beyond a good business climate that will significantly alter decisions to develop new resources.

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## Group 2

### Facilitator:

Tim Bradner                      Alaska Economic Report  
    Alaska Journal of Commerce

### Participants:

Dick Decker                      United We Stand  
Gene Dusek                      Municipality of Anchorage  
Harold Heinze  
Joe Henri                      Southcentral Timber/UA Regent  
Carol Heyman                      Anchorage Chamber of Commerce  
Gary Light                      ARCO, Alaska  
David Roderick  
John Wheatley                      Willis Coroon Corporation  
Esther Wunnicke

### Resource:

Kay Brown                      Alaska State Representative

### Recorder:

Teeny Metcalfe

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## **Group 3**

### **Summary of Conclusions/Recommendations**

#### **The Budget Gap**

The "budget gap" is real, is here now, is getting bigger and needs to be addressed.

#### **Spending**

There needs to be a new way of dealing with spending cuts to avoid political traps and to maintain a long-range view. It was recommended that a new Commission be established similar to the Federal Base Realignment and Closing Commission. This Commission would review all programs from a bottom-up, zero-base budgeting standpoint. It would look at alternative delivery systems. Recommendations would have to be accepted or rejected *in toto* by the Legislature and the Administration. If rejected, the recommendations would go to the voters.

#### **Reserves**

All reserves should be deposited in the Permanent Fund pursuant to a plan similar to that proposed by Roger Cremo. They would then be part of the principal from which earnings would then be allocated annually for the expenses of government.

#### **Taxes**

The income tax should be reimposed immediately and proceeds placed in the Permanent Fund. Earnings would then be used under a "Cremo-type" plan. A severance tax on our fisheries should be investigated.

#### **Permanent Fund**

No use of the principal or inflation-proofing except as transition funding. In accord with the "Cremo-type plan" dividends would be paid out of the annual earnings allocation along with all other budget items.

#### **Economic Development**

Large block economic leasing should be undertaken. Actions taken for development must be related to market-driven programs. An in-depth review of the existing regulatory environment should identify regulations inhibiting economic development. Ensure a stable tax policy to foster a stable business environment.





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# Group 4

## Summary of Conclusions/Recommendations

### **The Budget Gap**

The "budget gap" is real, it is big and getting bigger.

### **Spending**

There was a recognition that the need and demand for state services and programs were growing, and that some spending increase was inevitable with inflation and population growth over time. When looking for cuts, look where most of the money is going—education, social services, corrections. Growth in spending should be controlled through re-prioritization of resources, less-costly preventative strategies, looking at life cycle costs of capital expenditures and requiring local matches and personal contributions to programs.

### **Reserves**

We need to get reserves off the table to allocate them more judiciously. Half of all liquid reserves and future settlements should go into the Permanent Fund. The other half should be placed in the Constitutional Budget Reserve, but the rules changed to require access only by 2/3 vote (rather than current 3/4, or 51% escape clause).

### **Taxes**

The income tax should be reimposed as preferable to other kinds of taxes. Income taxes have the advantage of capturing non-residents who benefit from Alaskan employment, resources and services. Increased taxation on our fisheries is justified.

### **Permanent Fund**

Instituting an income tax and capping the Permanent Fund dividend are not mutually exclusive. It was recommended that the PFD be capped at \$500 and that the balance of dividend monies be deposited in the Permanent Fund. Extra earnings would yield approximately \$500 million to the General Fund in 2005.

### **Economic Development**

Stable taxation is critical to economic development. New development must pay its own way. The method of paying for added government services needs to be identified and planned for up-front of any developments. An income tax seems a preferable "capture" mechanism.



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## Group 4

### Facilitator:

Clay McDowell Anch. Assembly Policy and Budget Office

### Participants:

|                   |                                       |
|-------------------|---------------------------------------|
| Bruce Carr        | Alaska Railroad Corporation           |
| Jo Fenety         | Senator Drue Pearce's Office          |
| Prent Gazaway     | Gazaway and Associates                |
| Alicia Iden       |                                       |
| Ken Reither       | Exxon Company USA                     |
| Steven Shropshire | Northern Forum/Green Connection, Inc. |
| Kym Swift         | Common Sense for Alaska               |

### Resource:

|             |                                   |
|-------------|-----------------------------------|
| Jim Kelly   | Alaska Permanent Fund Corporation |
| Mark Hanley | Alaska State Representative       |

### Recorder:

|                     |                   |
|---------------------|-------------------|
| Nancy Schoephoester | ARCO Alaska, Inc. |
|---------------------|-------------------|

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# Group 5

## Summary of Conclusions/Recommendations

### **The Budget Gap**

The "budget gap" is real, it is getting bigger but it is unpredictable year to year because of wide revenue swings due to settlements, etc.

### **Spending**

There was a recognition that much of the state budget was composed of programs like education having ever-growing pressures, and that large cuts were not practical. However, "rationalization" of the budget and gaining efficiencies over time was needed and possible. Needs-basing of programs was desirable. A target of 0% real dollar increase in the budget should be established over the next 10 years resulting in \$300 million in real savings by 2005 from the ISER figures.

### **Reserves**

We need to allocate reserves more judiciously. There needs to be a better mechanism for capturing and retaining settlements and extraordinary monies as they come in to avoid the temptation of spending them all in a single year. It was recommended that reserve spending be "smoothed" to approximately \$200 million annually to help meet the "gap."

### **Taxes**

It was felt that approximately \$500 million would be needed in new taxes by 2005. Of this, most would come from a personal income tax. Other taxes could include increased user fees, fishery taxes, and motor fuel taxes (dedicated). Sales taxes were best left to the province of local governments. It was felt an income tax had the advantage of capturing non-residents working in the state and that it was the best method of capturing and paying for new development of our non-oil resources.

### **Permanent Fund**

The dividend program should be capped at current total spending levels. Excess monies in future years should be deposited in a specially enacted Dividend Reserve Fund in the Permanent Fund. Access would be possible, though difficult. Unlike the corpus of the Fund these monies would be accessible when needed, but would be invested along with other Permanent Fund monies. Unlike the current Constitutional Budget Reserve, access would not provide the current "loophole" (a majority vote of the Legislature when less revenues than in prior year).



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## **Economic Development**

The state can help somewhat on economic development through removal of regulatory hurdles and funding through agencies such as AIDEA, but most economic development decisions are outside the control of state. The group assumed that the beginning of a gasline and some additional marginal oil field developments would result in \$350 million in increased revenues by 2005 over DOR projections.

## **Other Recommendations**

The group felt that strategies to meet the "gap" were as much a political problem as an economic or financial one. It was felt considerable leadership and education within our community as well as the Legislature and the Administration was needed to avert short-term crises in the future.

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## **Group 5**

### **Facilitator:**

Larry Wiget

Anchorage School District

### **Participants:**

Don Argetsinger  
Larry Crawford  
Gordon Glaser  
Jim McElroy  
Nancy McHugh  
Kristen Nelson  
Pat Pourchot  
Scott Thorson

Argetsinger and Associates  
Municipality of Anchorage  
ASEA  
Locher Interests  
  
Petroleum Information Services  
Commonwealth North  
Network Business Systems

### **Resource:**

Mike Greany

Legislative Finance Division

### **Recorder:**

Sudy Sanders

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## APPENDIX I

### Participants

Abbott, Mike  
Anderson, Jerry  
Argetsinger, Don  
Blessington, Bill  
Brecht, Julius  
Byrd, Milton  
Carr, Bruce  
Crawford, Larry  
Cutler, Louann  
Decker, Dick  
DiMatteo, C. Joe  
Dusek, Gene  
Fenety, Jo  
Furnace, Walt  
Gazaway, Prent  
Glaser, Gordon  
Green, Dick  
Heinze, Harold  
Henri, Joe  
Heyman, Carol  
Holland, Mark  
Iden, Alicia  
Light, Gary  
Levesque, Norman  
Lounsbury, Loren  
Macklin, Sharon  
Maley, Jim  
Marks, Joe  
McElroy, Jim  
McHugh, Nancy  
Mimoto, Sayoko  
Nelson, Kristen  
Reither, Ken  
Renkert, Craig  
Roderick, David  
Shrophshire, Steve  
Swift, Kym  
Thorson, Scott  
Wheatley, John  
Williams, Tom  
Wunnicke, Esther

Alyeska Pipeline Service Company  
Municipality of Anchorage  
Argetsinger & Associates  
Port of Anchorage  
Wohlforth, Argetsinger, *et al*  
Charter College  
Alaska Railroad Corporation  
Municipality of Anchorage  
Preston, Thorgrimson, Shidler *et al*  
United We Stand, Inc.  
AK Council on Prevention of Alcohol & Drug Abuse  
Municipality of Anchorage  
Office of Senator Drue Pearce  
Alaska Support Industry Alliance  
Older Persons Action Group  
ASEA/AFSCME Local 52  
Natural Garden Supply

Southcentral Timber Devlpmt/UA Board of Regents  
Anchorage Chamber of Commerce  
Exxon Company USA

ARCO Alaska, Inc.  
AK Municipal Bond Bank Authority  
International Management Group  
Sharon Macklin - Government Relations  
Alaska Children's Services, Inc.  
Marenco, Inc./Anchorage School Board  
Locher Interests

Anchorage School District  
Petroleum Information Services  
Exxon Company USA  
UAA Small Business Development Center

Northern Forum/Green Connection, Inc.  
Common Sense for Alaska  
Network Business Systems  
Willis Coroon Corportation of Anchorage  
BP Exploration (Alaska)

### Facilitators

Angvik, Jane  
Bradner, Tim  
Griffith, Joe  
McDowell, Clay  
Wiget, Larry

Manager, Alaska Native Heritage Park  
Editor, Alaska Economic Report  
Exec. Mgr. Finance. Chugach Electric Company  
Director, Anch. Assembly Policy and Budget Office  
Director, Gov't Affairs/Anchorage School District



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## Recorders

Galvin, Alice  
Metcalf, Teeny  
Pieper, Cindy  
Sanders, Sudy  
Schoepoester, Nancy  
Wilson, Tom

Anchorage Telephone Utility

Commonwealth North

ARCO Alaska, Inc.  
Hughes, Thorsness *et al*

## Resource

Brown, Kay  
Goldsmith, Scott  
Gorsuch, Lee

Greany, Mike  
Hanley, Mark  
Kelly, Jim  
Frasca, Cheryl

Alaska State Representative  
Professor, University of Alaska Anchorage/ISER  
Dean, School of Public Affairs, University of  
Alaska Anchorage  
Director, Legislative Finance Division  
Alaska State Representative  
Research and Liason Officer, AK Permanent Fund  
Deputy Director, Office of Management and Budget

## Coordinator

Pourchot, Pat

Executive Director, Commonwealth North

## Presenters

Rep. Kay Brown  
Paul Fuhs

Scott Goldsmith  
Lee Gorsuch

Governor Jay Hammond  
Rep. Mark Hanley  
Governor Walter J. Hickel  
Jim Kelly

Dr. Chuck Logsdon  
Darrel Rexwinkel  
Governor Bill Sheffield  
Shelby Stastny

Alaska State Legislature, House of Representatives  
Commissioner, Department of Commerce and  
Economic Development  
Professor, University of Alaska Anchorage, ISER  
Dean, School of Public Affairs, University of  
Alaska Anchorage  
Governor of Alaska (1974 to 1982)  
Alaska State Legislature, House of Representatives  
Governor of Alaska (1968 to 1970, 1990 to present)  
Research and Liason Officer, Alaska Permanent  
Fund Corp.  
Chief Petroleum Economist, Dept. of Revenue  
Commissioner, Department of Revenue  
Governor of Alaska (1982 to 1986)  
Director, Office of Management and Budget

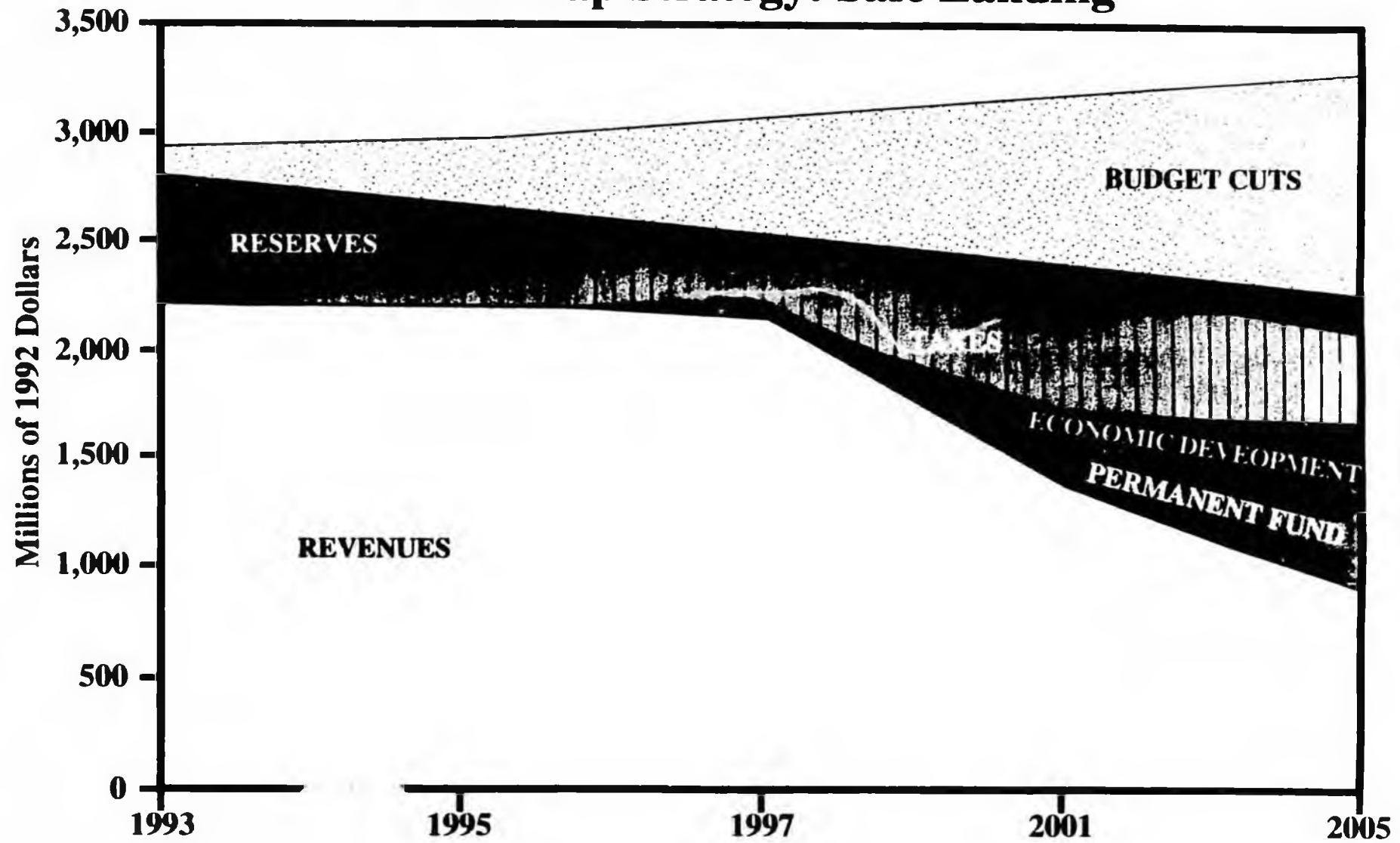
## Fiscal Outlook: FY 94 - 99

|                                     | <b>FY94</b>    | <b>FY95</b>    | <b>FY96</b>    | <b>FY97</b>    | <b>FY98</b>    | <b>FY99</b>     |
|-------------------------------------|----------------|----------------|----------------|----------------|----------------|-----------------|
| Oil Price \$/bbl.                   | 13.25          | 15.04          | 18.74          | 19.85          | 20.42          | 21.00           |
| Production MMbl/day                 | 1.645          | 1.682          | 1.644          | 1.513          | 1.387          | 1.278           |
| <b>REVENUES:</b>                    |                |                |                |                |                |                 |
| Unrestricted General Fund Forecast* | 1,771.0        | 1,820.0        | 2,051.1        | 1,993.3        | 1,902.5        | 1,760.0         |
| Other UGF Revenues                  | 200.0          | 80.0           | 125.0          | 125.0          | 125.0          | 125.0           |
| <b>TOTAL UGF REVENUES</b>           | <b>1,971.2</b> | <b>1,900.0</b> | <b>2,176.1</b> | <b>2,118.3</b> | <b>2,027.5</b> | <b>1,885.0</b>  |
| <b>EXPENDITURES:</b>                |                |                |                |                |                |                 |
| Operating                           | 2,384.0        | 2,363.0        | 2,417.3        | 2,486.2        | 2,557.0        | 2,629.9         |
| Capital                             | 616.0          | 100.0          | 300.0          | 300.0          | 300.0          | 300.0           |
| Loans & Transfers                   | 180.0          | 37.0           | 37.0           | 37.0           | 37.0           | 37.0            |
| <b>TOTAL EXPENDITURES</b>           | <b>3,180.0</b> | <b>2,500.0</b> | <b>2,754.3</b> | <b>2,823.2</b> | <b>2,894.0</b> | <b>2,996.9</b>  |
| <b>ANNUAL DEFICIT</b>               | <b>-1208.8</b> | <b>-600.0</b>  | <b>-578.2</b>  | <b>-704.9</b>  | <b>-866.5</b>  | <b>-1,081.9</b> |
|                                     |                |                |                |                | <b>TOTAL</b>   | <b>-4,692.4</b> |

\*Does not include settlement or reserve monies

NOTE: This table is for illustrative purposes only and does not reflect Administration policy or decisions

# Fiscal Gap Strategy: Safe Landing



APPENDIX III

## Closing The Gap – Safe Landing Strategy

(Millions of 1992 Dollars)

|                                      | 1993           | 1994           | 1997           | 2001           | 2005           |
|--------------------------------------|----------------|----------------|----------------|----------------|----------------|
| Maintenance Level GF Spending        | \$2,921        | \$2,950        | \$3,040        | \$3,163        | \$3,291        |
| Less: Revenues from Existing Sources | \$2,270        | \$2,245        | \$2,232        | \$1,467        | \$982          |
| Equals: Fiscal Gap                   | \$651          | \$705          | \$808          | \$1,696        | \$2,309        |
| <b>New Use of Resources:</b>         |                |                |                |                |                |
| Budget Cuts                          | \$100          | \$200          | \$525          | \$875          | \$1,100        |
| Taxes                                | \$0            | \$110          | \$235          | \$340          | \$350          |
| Use of Permanent Fund                | \$0            | \$0            | \$0            | \$150          | \$440          |
| Economic Development                 | \$0            | \$0            | \$45           | \$120          | \$260          |
| Reserves & Assets                    | \$550          | \$395          | \$0            | \$210          | \$159          |
| <b>Resources Used</b>                | <b>\$2,920</b> | <b>\$2,950</b> | <b>\$3,037</b> | <b>\$3,162</b> | <b>\$3,291</b> |
| <b>Shortfall</b>                     | <b>\$1</b>     | <b>\$0</b>     | <b>\$3</b>     | <b>\$1</b>     | <b>\$0</b>     |

**Budget Cuts** – Gradually reduce state spending to hit a sustainable spending target of about \$2.1 billion. This necessitates a reduction of some and elimination of other state services to a level more closely resembling other states.

**Taxes** – Phase in taxes on income, property, and resources at national average rates. Reserve the sales tax for local government.

**Permanent Fund** – Gradually reduce the Dividend program and reinvest all available earnings, including inflation proofing and the earnings reserves to maximize its long-term real income generation capacity. The future earning stream will be able to pay for at least 25% of the cost of government.

**Economic Development** – Assume gradual and moderate non-petroleum resource development and new petroleum-related developments after 2000, which may be the construction of a gasline and/or a development in ANWR. The state can influence economic development but has less control here than in the use of the other tools. Therefore, while pursuing economic development, the state should simultaneously be bringing spending in line with a sustainable target.

**Transition Funds** – Use reserves and some assets to avoid the shock of large budget cuts and/or new taxes happening all at once. Keep a fund to act as a shock absorber in the event of a drop in oil prices.

# APPENDIX IV



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## SUMMARIES OF BUDGET CONFERENCES

|  |                                |
|--|--------------------------------|
| Governor's Economic Summit             | November 29 - December 1, 1992 |
| Common Ground Fiscal Policy Conference | March 13-14, 1993              |
| Alaska Credit Union League             | March 19 and 20, 1993          |
| Kenai Regional Economic Summit         | April 25-27, 1993              |
| Commonwealth North Budget Conference   | October 20 and 21, 1993        |

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### THE "GAP"

**Governor's Summit.** All groups concurred that there is a significant "gap", and that all the ISER identified fiscal actions will be needed.

**Common Ground.** All the groups recognized a significant budget "gap" and employed all or most of the ISER actions to meet revenue shortfalls.

**Alaska Credit Union League.** General agreement that a substantial fiscal "gap" exists and that most or all the ISER actions will be needed in the near future.

**Kenai Regional.** All groups recognized the existence of a sizeable "gap" and most used all the ISER actions to address it.

**Commonwealth North.** All the working groups agreed that there was a fiscal "gap" now, that it was growing, that it will be substantial in the near future and that actions need to be taken now. All the groups felt that most, if not all, the actions identified in the ISER budget report must be implemented by 2005.

### SPENDING

**Governor's Summit.** All identified state budget reductions as the first priority for action. Several "unique" programs were consistently identified for cuts or elimination including the longevity bonus program, power cost equalization and pioneer homes.

**Common Ground.** Sensible spending cuts should be made with particular emphasis on Alaska's unique programs. Some programs should be made self-sufficient like the seafood marketing program.



**Alaska Credit Union League.** General agreement to reduce spending through phasing out or elimination of "unique" programs, formula funding containment, services based on need and freezing of state salaries and benefits to bring to the level of private sector.

**Kenai Regional.** Most groups suggested substantial budget cuts and use of caps or ceilings for annual spending. The longevity bonus program was consistently targeted for cuts or elimination.

**Commonwealth North.** Most groups recognized the real political and programmatic problems of further large budget cuts. However, various approaches were suggested to find efficiencies, re-prioritize and hold the line on future spending increases. Most assumed that savings in real dollars could accrue over time if programs were not allowed to increase with inflation and population growth. No specific programs were consistently targeted for cuts or reductions.

## **RESERVES**

**Governor's Summit.** Most groups proposed the spending of reserves to help smooth the volatility of future revenues. Some suggested depositing reserves in the Permanent Fund, some would consolidate all reserves in a single account with earnings going to the general fund.

**Common Ground.** Some or all reserves (including future windfalls) should be deposited in either the Permanent Fund or the Constitutional Budget Reserve Fund to bolster future earnings. Some groups would utilize a portion of the reserves directly as transitional funds for general government.

**Alaska Credit Union League.** Recognition that reserves have to be used as last-resort transition funds. One suggestion was to deposit reserves in Permanent Fund and earnings used for general government.

**Kenai Regional.** Half the groups would deposit some or all of the reserves in the Permanent Fund while half would utilize as transition funds.

**Commonwealth North.** All groups recognized the need to use liquid reserves but felt that better mechanisms were needed to capture and husband reserves and non-recurring revenues for future use, rather than spending them as they become available.

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## TAXES

**Governor's Summit.** Most groups recommended reimposition of the personal income tax. Most of the groups supported increased motor fuel and "sin" taxes.

**Common Ground.** General agreement on reimposition of personal income tax. Considerable support for increased motor fuels, "sin", "tourism" and fisheries taxes. Some recommended "school" or payroll tax.

**Alaska Credit Union League.** General recognition that new taxes will be needed including: personal income, "sin" taxes, taxes on other natural resources and payroll taxes. Taxes which captured non-resident wages were favored.

**Kenai Regional.** All groups supported reimposition of the personal income tax. Most favored an increase in motor fuel taxes. None favored a state sales tax.

**Commonwealth North.** All groups recommended new taxes for meeting the "gap", and all suggested the reimposition of the personal income tax as the preferred form. It was felt that the income tax was the most progressive (least impact on those with lowest income), could capture non-residents' income earned in Alaska, and was the best method for the state to pay for and benefit from new economic developments.

## PERMANENT FUND

**Governor's Summit.** All groups opposed use of the principal of the Permanent Fund. Most favored capping dividends for use either for state operations or to reinvest excess earnings in the Permanent Fund principal to increase future earnings.

**Common Ground.** No use of the principal of the PF or any change to full inflation-proofing. Most groups recommended capping the dividends for either deposit to the Permanent Fund principal or for general fund use.

**Alaska Credit Union League.** Earnings of the PF, including funds now going to PFDs, will be needed to bridge the "gap."

**Kenai Regional.** Most groups recommended some plan to use Permanent Fund earnings to support state government. Most supported capping the Dividend and putting saved earnings back into the principal of the Fund.

**Commonwealth North.** All groups recommended that the Permanent Fund principal and inflation-proofing monies not be used. No group recommended eliminating the dividend. However, a majority recommended that the dividends be capped, and that earnings beyond dividends and inflation-proofing be used for general government or deposited in the Permanent Fund to generate future earnings.



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## ECONOMIC DEVELOPMENT

**Governor's Summit.** While all expressed the importance of future economic development, many expressed concern not to rely too heavily on speculative projects for future revenues, and that developments produce net revenues to the state above costs. Most supported the development of ANWR, construction of a gasline and lifting the export ban on Alaskan oil. Most identified the need to settle the mental health lands issue. Half the groups recommended streamlining the state's regulatory and permitting systems.

**Common Ground.** Most groups assumed that either oil declines would not be as precipitous as projected, or that there would be additional small fields developed. Most also assumed revenues from construction of a gasline after the year 2000.

**Alaska Credit Union League.** Strong emphasis was placed on economic development. Governmental impediments in regulation and permitting should be removed, and incentives, including tax breaks, subsidies and infrastructure development, employed.

**Kenai Regional.** Most groups relied on revenues from the completion of a gas pipeline after 2001. Several groups supported aggressive marketing of our natural resources, settlement of the mental health lands issue and repeal of the export ban on Alaskan oil.

**Commonwealth North.** Most groups felt that any new economic developments would be based largely on market conditions and economic decisions outside the control of the state. However, a stable tax policy and removal of regulatory hurdles by the state would be helpful. No group believed that large-scale economic development would result in revenues substantially reducing the budget "gap" by 2005.

**SB**

**375**

**SFIN**

**FILE**

# SENATE FINANCE COMMITTEE REPORT

DATE: 5/2/94

FURTHER:

DATE TURNED INTO OFFICE: \_\_\_\_\_

The Finance Committee considered SENATE BILL NO. 375

"An Act relating to general grant land entitlements."

*Died in SFC 1994.*

and recommends:

- replace with \_\_\_\_\_ CS \_\_\_\_\_ (FINANCE)  
or  adopt previous \_\_\_\_\_ CS \_\_\_\_\_  
 attaches amendment(s)

- 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 |
|------------|------|------|--------|
|            |      |      |        |
|            |      |      |        |
|            |      |      |        |
|            |      |      |        |
|            |      |      |        |
|            |      |      |        |

Appropriation No Fiscal Note

DO PASS.

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OTHER RECOMMENDATIONS:

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1. \_\_\_\_\_  
Co-Chair: Signature/Recommendation

2. \_\_\_\_\_  
Co-Chair: Signature/Recommendation

# SENATE COMMITTEE REPORT

*over*

DATE: 4/27/94

FURTHER: *h noj*

DATE TURNED INTO OFFICE: 5.2.94

Resources Committee considered SENATE BILL NO. 375

"An Act relating to general grant land entitlements."

and recommends:

replace with \_\_\_\_\_ CS SB 375 (RES)

or  adopt previous \_\_\_\_\_ CS \_\_\_\_\_

attaches amendment(s)

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

*FN  
r of FN's*

**NEW FISCAL NOTES**

CS  
SB  
SB/CS

| Department | Date    | Zero         | Fiscal |
|------------|---------|--------------|--------|
| DNR        | 4.28.94 | <del>X</del> |        |
| DNR        |         |              | 300.0  |
| CRA        |         | ✓            |        |
|            |         |              |        |
|            |         |              |        |
|            |         |              |        |

**PREVIOUS FISCAL NOTES**

| Department | Date | Zero | Fiscal |
|------------|------|------|--------|
|            |      |      |        |
|            |      |      |        |
|            |      |      |        |
|            |      |      |        |
|            |      |      |        |

Appropriation No Fiscal Note

DO PASS:

*Steven A. Lemmon*  
*Jack P. Shurtliff*  
*Lee Edwards III*

OTHER RECOMMENDATIONS:

*one source - No Rec*  
*from 11.11.94*

*Mark Miller Do Pass*

Chair: Signature and Recommendation

# SENATE COMMITTEE REPORT

## FIRST COMMITTEE OF REFERRAL

DATE: 4/13/94

FURTHER: Resources

**Date of 5-Day Notice:** \_\_\_\_\_  
 (in accordance with Uniform Rule 23)

**DATE TURNED INTO OFFICE:** \_\_\_\_\_

CRA Committee considered SB 375

"An Act relating to general grant land entitlements."

and recommends:

replace with \_\_\_\_\_ CS \_\_\_\_\_

attaches amendment(s)

adopts \_\_\_\_\_ Letter of Intent

further referral to the \_\_\_\_\_

do pass

do not pass

no recommendation

individual recommendations

- same title
- new title
- technical title change (HB only)

**FISCAL NOTE INFORMATION**

| Department | Date | Zero | Fiscal |
|------------|------|------|--------|
|            |      |      |        |
|            |      |      |        |
|            |      |      |        |
|            |      |      |        |
|            |      |      |        |
|            |      |      |        |

| Department | Date | Zero | Fiscal |
|------------|------|------|--------|
|            |      |      |        |
|            |      |      |        |
|            |      |      |        |
|            |      |      |        |
|            |      |      |        |
|            |      |      |        |

Appropriation No Fiscal Note

Governor's Bill with Previous Fiscal Notes (enter information above)

**DO PASS:**

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

**OTHER RECOMMENDATIONS:**

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_  
 Chair: Signature and Recommendation

ALASKA STATE LEGISLATURE  
SENATE BILL NO. 375

HISTORY IN THE SENATE

1994  
4/13  
4/27  
5/2  
5/2

Read first time and referred to:  
CRA, RES  
CRATIVE to RES  
add FIN

RES RPT(  ) CS 4 DP 2 NR \_\_\_ DNP \_\_\_ AM  
New Title  Same Title \_\_\_ Previous FN \_\_\_  
1 FN 2 OFN add FIN 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 House

Secretary of the Senate

HISTORY IN THE HOUSE

19

Read first time and referred to:  
\_\_\_\_\_  
\_\_\_\_\_

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

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

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

Read second time  
CS( \_\_\_ ) Adopted

Amended

Advanced

Read third time

Return to second for specific amendment

PASSED EFD Same \_\_\_ or  
Yeas Yeas  
Nays Nays  
Excused Excused  
Absent Absent

\_\_\_ Intent adopted

Reconsideration  
Reconsideration not taken up

PASSED ON RECON. EFD Same \_\_\_ or  
Yeas Yeas  
Nays Nays  
Excused Excused  
Absent Absent

\_\_\_ Intent adopted

Reported correctly engrossed, signed by the Speaker  
and returned to the Senate

Chief Clerk of the House

**SENATE-HOUSE HISTORY Continued**

19

Received from the House

Version: \_\_\_\_\_

Concur in House amendment

Y \_\_\_ N \_\_\_ E \_\_\_ A \_\_\_

\_\_\_ Efd same or Y \_\_\_ N \_\_\_ E \_\_\_ A \_\_\_

Failed to concur in House amendment, ask House recede

Y \_\_\_ N \_\_\_ E \_\_\_ A \_\_\_

House failed to / receded from amendment

Y \_\_\_ N \_\_\_ E \_\_\_ A \_\_\_

CC appointed by Senate \_\_\_\_\_ Chair

CC appointed by House \_\_\_\_\_ Chair

(S) Granted Limited Powers of Free Conference

(H) Granted Limited Powers of Free Conference

19

(S) Adopted CC Rpt \_\_\_\_\_

Y \_\_\_ N \_\_\_ E \_\_\_ A \_\_\_  
 \_\_\_ Efd same or Y \_\_\_ N \_\_\_ E \_\_\_ A \_\_\_

(H) Adopted CC Rpt \_\_\_\_\_

Y \_\_\_ N \_\_\_ E \_\_\_ A \_\_\_  
 \_\_\_ Efd same or Y \_\_\_ N \_\_\_ E \_\_\_ A \_\_\_

To enrolling  
 Received from enrolling  
 Sent to Governor

\_\_\_\_\_ By Governor

Chapter Number \_\_\_\_\_

Filed with Lieutenant Governor

# FISCAL NOTI No. 1

## STATE OF ALASKA 1994 LEGISLATIVE SESSION

Bill Version: SB375

(S) Publish Date: 5-2-94

Revision Date: REVISED ORIGINAL on 4/19/94 Dept Affected: Natural Resources  
 Title: "An Act relating to general grant land entitlements." BRU: Resource Development  
 Component: Land Development  
 Sponsor: Senate Judiciary Committee  
 Requestor: Senate Judiciary Committee Component Serial No. 431

| Expenditures/Revenues         | (Thousands of Dollars) |              |              |              |              |              |
|-------------------------------|------------------------|--------------|--------------|--------------|--------------|--------------|
| OPERATING EXPENDITURES        | FY95                   | FY96         | FY97         | FY98         | FY99         | FY00         |
| PERSONAL SERVICES             | 350.0                  | 350.0        | 350.0        | 350.0        | 350.0        | 350.0        |
| TRAVEL                        | 10.0                   | 10.0         | 10.0         | 10.0         | 10.0         | 10.0         |
| CONTRACTUAL                   | 15.0                   | 15.0         | 15.0         | 15.0         | 15.0         | 15.0         |
| SUPPLIES                      | 5.0                    | 5.0          | 5.0          | 5.0          | 5.0          | 5.0          |
| EQUIPMENT                     |                        |              |              |              |              |              |
| LAND & STRUCTURES             |                        |              |              |              |              |              |
| GRANTS, CLAIMS                |                        |              |              |              |              |              |
| MISCELLANEOUS                 |                        |              |              |              |              |              |
| <b>TOTAL OPERATING</b>        | <b>380.0</b>           | <b>380.0</b> | <b>380.0</b> | <b>380.0</b> | <b>380.0</b> | <b>380.0</b> |
| <b>CAPITAL EXPENDITURES</b>   | <b>0.0</b>             | <b>0.0</b>   | <b>0.0</b>   | <b>0.0</b>   | <b>0.0</b>   | <b>0.0</b>   |
| <b>CHANGE IN REVENUES ( )</b> | <b>0.0</b>             | <b>0.0</b>   | <b>0.0</b>   | <b>0.0</b>   | <b>0.0</b>   | <b>0.0</b>   |

| FUND SOURCE              | (Thousands of Dollars) |              |              |              |              |              |
|--------------------------|------------------------|--------------|--------------|--------------|--------------|--------------|
| 1002 Federal Receipts    |                        |              |              |              |              |              |
| 1003 GF Match            |                        |              |              |              |              |              |
| 1004 GF                  | 380.0                  | 380.0        | 380.0        | 380.0        | 380.0        | 380.0        |
| 1005 GF/Program Receipts |                        |              |              |              |              |              |
| 1006 GF/MHTIA            |                        |              |              |              |              |              |
| Other                    |                        |              |              |              |              |              |
| <b>TOTAL</b>             | <b>380.0</b>           | <b>380.0</b> | <b>380.0</b> | <b>380.0</b> | <b>380.0</b> | <b>380.0</b> |

Estimate of any current year (FY94) cost: \$ None

| POSITIONS | FY95 | FY96 | FY97 | FY98 | FY99 | FY00 |
|-----------|------|------|------|------|------|------|
| FULL-TIME | 6    | 6    | 6    | 6    | 6    | 6    |
| PART-TIME | 0    | 0    | 0    | 0    | 0    | 0    |
| TEMPORARY | 0    | 0    | 0    | 0    | 0    | 0    |

ANALYSIS: (Attach a separate page if necessary)

OPPOSED.  
SEE ATTACHED.

Prepared by: Ron Swanson, Director Phone: 762-2692  
 Division: Land Date: 19-Apr-94  
 Approved by Commissioner: Harry A. Noah Date: 19-Apr-94  
 Agency: Natural Resources