

**ALASKA LEGISLATURE**

**2039**

**HOUSE and SENATE FINANCE COMMITTEE FILES, 1999 - 2000**

190

**UAF Alumni Letter of Support for Establishing an Endowment  
at the University of Alaska with EVOS Funds**

**July 20, 1998**

[ Up ]

July 20, 1998

EVOS Trustee Council  
Restoration Office  
645 G Street, Suite 401  
Anchorage, AK 99501

On behalf of the University of Alaska Alumni Association, I want to express our support for using the funds from the Exxon Valdez Oil Spill (EVOS) civil claims settlement between the state and federal government and the Exxon Corporation to endow academic and research chairs at the University of Alaska.

The University of Alaska is the premier research institution in Alaska with facilities and researchers necessary for the future research on the effects, prevention and further clean up of oil spills and other environmental disasters such as the Exxon Valdez spill. The smart thing to do with these funds is to use them in Alaska, at the State's research university. This endowment would greatly assist the Council in accomplishing its mission to "effectively restore the environment injured by the spill to a healthy, productive ecosystem, while taking into account the importance of quality of life and need for viable opportunities to establish and sustain a reasonable standard of living."

-"Jake" Poole, UAF Alumni Association President, July 20, 1998

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**Board Passes Resolution to Endow Chairs from EVOS**

-by Chip Wagoner

--UAF Alumnus newsletter, January 1996.

What does the UAF Alumni Association Board, the American Ornithologists' Union, the Wildlife Society, the Pacific Seabird Group, the Alaska District of the American Institute of Fishery Research Biologists and the American Bald Eagle Foundation all have in common? All have endorsed using funds from the Exxon Valdez Oil Spill (EVOS) civil claims settlement between the state and federal governments and the Exxon Corporation to endow academic and research chairs at the University of Alaska.

The settlement funds are managed by the EVOS Trustee Council composed of six state and federal governmental officials. The Council's mission is to "efficiently restore the environment injured by the spill to a healthy, productive ecosystem, while taking into account the importance of quality of life and need for viable opportunities to establish and sustain a reasonable standard of living."

The Alumni Board joined University of Alaska President Jerome Komisar and James King '49, a member of the EVOS Trustee Council Public Advisory Group, in urging the Council to provide for the long term needs to monitor and study the impacted resources, communities and populations by endowing academic chairs at the University of Alaska. As a public at large member of the advisory group, Jim King is proposing that the Trustee Council ask the EVOS Restoration Office and the University of Alaska to prepare a detailed plan to use a portion of the restoration reserve to endow chairs designed to fulfill the

EVOS settlement obligation.

The UAF Alumni Board asks you to help both the university and the resources of Prince William Sound by writing to the EVOS Trustee Council at 645 G St., Suite 401, Anchorage AK 99501 and supporting this endowment."

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**UAA Chancellor Lee Gorsuch's Letter of Support  
for a University endowment with EVOS funds  
[ Up ]**

April 9, 1998

EVOS Trustee Council  
645 G Street, Suite 401  
Anchorage, Alaska 99501

Dear Trustees:

I would like to lend support for establishing a research endowment as well as endowed chairs within the University of Alaska system. This is an excellent opportunity for the university and the council to continue work together to accomplish our mutual objectives and goals.

For example, an endowed research chair at UAA provide a means to continue spill-related research in perpetuity. Additional income could be obtained from the patenting of processes for spill restoration and cleanup techniques. Development of educational courses for spill prevention, restoration, and preservation techniques would also serve the needs of our communities, including spill damaged areas, as well as generate additional income from other oil-damaged areas throughout the world also needing similar expertise.

There are numerous faculty on UA campuses prepared to continue to work with the council in advancing its long-term objectives. A research endowment as well as endowed chairs would generate significant long-term value, not only for Prince William Sound, but to our overall understanding of marine ecosystems and their potential response to oil spills. Numerous benefits exist for everyone and I will do all that I can to support this endeavor.

Sincerely,

Edward Lee Gorsuch  
Chancellor

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# 1998 Resolution

## for creating a University endowment with EVOS funds

--Submitted by the Greater Fairbanks Chamber of Commerce Board of Directors to the EVOS Trustee Council, Passed September 14, 1998

[ Up ]

### RESOLUTION 98-0914

**A RESOLUTION BY THE GREATER FAIRBANKS CHAMBER OF COMMERCE URGING THE EXXON VALDEZ OIL SPILL COUNCIL TO WORK WITH THE UNIVERSITY OF ALASKA ON A PLAN TO CREATE A GENERAL ENDOWMENT TO THE UNIVERSITY AND TO ENDOW A SUBSTANTIAL NUMBER OF ACADEMIC CHAIRS IN THE SCIENCES TO FULFILL THE LONG TERM GOALS OF THE SETTLEMENT.**

**WHEREAS**, the biological resources of the northern Gulf of Alaska were impacted by the Exxon Valdez oil spill; and

**WHEREAS**, the Exxon Valdez oil spill disrupted the economic and social life of many of the local residents in the Prince William Sound area; and

**WHEREAS**, baseline scientific data was inadequate to positively assess the damage, manage major spills and are inadequate to realistically restore the environment; and

**WHEREAS**, future accidents and oil spills in this area and other areas of Alaska waters are a probability; and

**WHEREAS**, Alaska has more coast line than any other state in the union, making it imperative that the State of Alaska take the lead in utilizing the accumulation of scientific knowledge and promoting the advancement of scientific technology now as well as in the future; and

**WHEREAS**, with scientific advancements in the decades ahead eventual enhancement of many of the biological resources will be possible; and

**WHEREAS**, the Exxon Valdez Oil Spill Trustee Council is in charge of restoring, rehabilitating, replacing, enhancing or acquiring equivalent resources and services in the oil spill region, the accumulation of scientific knowledge to manage any future oil spills must be placed in high priority within the Council's program; and

**WHEREAS**, any spill of this magnitude not only effects the wildlife and fish habitat, it has economic, social and psychological effects in rural Alaska where local populations, including the native population, traditional life styles may be severely disrupted; and

**WHEREAS**, the University of Alaska has taken a leadership role in many of these areas of study and is strongly committed to working in rural Alaska as well as attracting students from rural Alaska; and

**WHEREAS**, the University of Alaska, is a statewide system with locations in Valdez, Cordova, Petersburg, Homer, Seward, Kodiak, Juneau, Anchorage, Fairbanks, Bethel, Dillingham, in addition to many other locations in Rural Alaska; and

**WHEREAS**, the University of Alaska currently is doing research in fisheries and oceanography and has

a research vessel; and

**WHEREAS**, a general endowment will permit the University to fund specific projects and studies that may only require a limited time to answer, and to be flexible to fund new studies as new questions or problems arise; and

**WHEREAS**, endowed academic chairs will provide continuing quality scientific investigation, scientific publications, and excellence in training that will be needed by the agencies and industry responsible for resource management and development into perpetuity; and

**WHEREAS**, endowed chairs attract the highest quality applicants because they are not affected by the annual fluctuations of the University budget process; and

**WHEREAS**, high caliber of endowed professors attract the highest quality graduate students and most often have a competitive edge in securing grants and contracts; and

**WHEREAS**, concentrating a major center for the advancement of sciences at the University of Alaska is in the best interests of all Alaskans, since agency and industry research is normally directed to the public and may suffer from short term funding; and

**WHEREAS**, endowed university research is normally broader in scope, produces peer-reviewed publications, has long term continuity and produces an outflow of trained professionals; and

**WHEREAS**, the University of Alaska already has an appropriate Foundation for managing endowed chairs, thus eliminating the cost of a new bureaucracy; and

**WHEREAS**, the combination of a general endowment and endowed chairs allows the University of Alaska both flexibility and long term funding with an irrevocable commitment to continue the study of all of the effects of this spill and any future spills that may happen in Alaskan waters or any other waters on this earth.

**NOW THEREFORE BE IT RESOLVED THAT** the Greater Fairbanks Chamber of Commerce urges the Exxon Valdez Oil Spill Trustee Council to instruct their Restoration Team to establish a general endowment to the University of Alaska and to endow a substantial number of chairs in the sciences that will fulfill the intent of the settlement; and

**BE IT FURTHER RESOLVED THAT** the Greater Fairbanks Chamber of Commerce urges that funding be included in the Restoration Plan and Environmental Impact Statement prepared this year by the Restoration Team.

**BE IT FURTHER RESOLVED THAT**, this resolution be distributed to:

- Alaska U.S. Congressional Delegation
- The Honorable Tony Knowles
- Alaska State Interior Delegation
- University of Alaska President
- University of Alaska Board of Regents
- Exxon Valdez Oil Spill Council

**PASSED** on September 14, 1998 by the Greater Fairbanks Chamber of Commerce Board of Directors.

**HJR**

**13**

**SFIN**

**FILE**

# SENATE FINANCE COMMITTEE REPORT

DATE: 4/1/99

FURTHER: 4/27/99

DATE TURNED IN TO OFFICE: 27 April 99

Finance Committee considered CS FOR HOUSE JOINT RESOLUTION NO. 13(FIN)

Relating to using oil spill settlement funds to create a long-term research and monitoring endowment.

and recommends:

- be replaced with \_\_\_\_\_ CS \_\_\_\_\_ (\_\_\_\_\_)
- adopt previous \_\_\_\_\_ CS HJR 13 (FIN)
- attached amendment(s)
- adopt Letter of Intent by \_\_\_\_\_ Committee
- further referral to the \_\_\_\_\_ Committee

- Senate Bill:**
- same title
  - new title
- House Bill:**
- same title
  - technical title
  - new: SCR# \_\_\_\_\_

SIGNING DO PASS	DP	OTHER RECOMMENDATIONS	NR	DNP	AM
<i>[Signature]</i>	✓	<i>[Signature]</i>	✓		
<i>[Signature]</i>	✓				
<i>[Signature]</i>	✓				
<i>[Signature]</i>	✓				
<i>[Signature]</i>	✓				
Co-Chair: <i>[Signature]</i>	✓	Co-Chair:			
Co-Chair: <i>[Signature]</i>		Co-Chair:			

**NEW FISCAL NOTE(S):**

Department                      Date      Zero      Fiscal


**PREVIOUS FISCAL NOTE(S):\***

Department                      Date      Zero      Fiscal

None	3/2/99	✓	

APPROPRIATION -- no fiscal note

\*include fiscal notes accompanying Governor's bill

STATE OF ALASKA  
1999 LEGISLATIVE SESSION

427199

Bill Version: CSHJR 13 (HES)  
(H) Publish Date: 3/8/99

Revision Date: 3/2/99  
Title: UNIVERSITY ENDOWMENT FOR RESEARCH

Dept. Affected: None  
BRU  
Component

Sponsor: Rep. THERRIAULT  
Requester:

Component Serial No.

Expenditures/Revenues

(Thousands of Dollars)

OPERATING EXPENDITURES	FY 00	FY 01	FY 02	FY 03	FY 04	FY 05
Personal Services	0.0	0.0	0.0	0.0	0.0	0.0
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
<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>

CAPITAL EXPENDITURES						
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CHANGE IN REVENUES ( )						
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FUND SOURCE

(Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
1091 Designated Program Receipts						
<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>

Estimate of any current year (FY98) cost:

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

Prepared by

Rep. Fred Dyson  
Co-Chair  
House HESS

Phone \_\_\_\_\_

Phone \_\_\_\_\_

Date \_\_\_\_\_

# Alaska State Legislature

REPRESENTATIVE  
GENE THERRIAULT

Mailing Address:  
119 N. Cushman, Suite 101  
Fairbanks, Alaska 99701  
(907) 488-0857  
Fax: (907) 488-4271



## House Of Representatives

While in session  
State Capitol  
Juneau, Alaska  
99801-1182  
(907) 465-4797  
Fax: (907) 465-3884

House District 33

### CS HJR 13 (FIN)

**Sponsor: Representative Gene Therriault**

### Sponsor Statement

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House Joint Resolution 13, "Relating to using oil spill settlement funds to create a long-term research and monitoring endowment," supports the recent action of the Exxon Valdez Oil Spill Trustees to create a long-term research and monitoring endowment using \$115,000,000 of the expected reserve. The resolution also encourages the Trustee Council to endow chairs in the sciences at the University of Alaska and supports Trustee efforts to work with the Congressional delegation to obtain the necessary investment authority to increase the earnings on remaining settlement funds.

The EVOS Trustee Council allocates money obtained from settlement of the Exxon Valdez spill litigation. Over the years, EVOS funds have largely been used to purchase land for habitat preservation, and have been lacking in the area of research. I believe this has left a critical gap in our understanding of this spill and how to respond in the future. Endowing scientific chairs at the University will help increase available baseline data, enhance the biological resources of the northern Gulf of Alaska, and significantly improve spill-related technology, restoration methods and ecosystem preservation. For example, it is widely understood that many aspects of the Exxon Valdez oil spill response, such as high-pressure washing of beaches and rock washing, may have caused more long-term harm than benefit. We also need to know if types of marine ecosystems are extra sensitive to certain cleanup activities, and if so, how we should respond to a spill in those areas.

An endowment of this nature will fulfill the intent of the Exxon Valdez oil settlement and the mission of the Trustee Council, which is to restore, rehabilitate, replace, enhance, or acquire equivalent resources and services in the oil spill region.

# Alaska State Legislature

REPRESENTATIVE  
GENE THERRIALT

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## House Of Representatives

While in session  
State Capitol  
Juneau, Alaska  
99801-1182  
(907) 465-4797  
Fax: (907) 465-3884  
House District 33

### MEMORANDUM

**DATE:** April 7, 1999  
**TO:** Members of the Senate Finance Committee  
**FROM:** Representative Gene Therriault  
**SUBJECT:** CSHJR 13 (FIN)

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This memorandum provides background on CS HJR 13 (FIN), **Page 4, Line 7**, "Be it further resolved that the Alaska State Legislature supports the Exxon Valdez Oil Spill Trustee Council's efforts to remove the trust funds from the United States Treasury in order to achieve efficiencies and maximize earnings as supported by recommendations from its internal auditors and the General Accounting Office auditors, and urges the Alaska Congressional delegation to work with the Exxon Valdez Oil Spill Trustee Council to achieve these goals."

The United States and the State of Alaska settled civil claims against Exxon in October 1991 for damages caused by the oil spill. Exxon agreed to pay \$900 million over ten years to the governments jointly. The United States required the trust funds, despite the fact that they were joint funds with Alaska, to be kept in accounts in the US Treasury. By order of the US District Court for the District of Alaska, all settlement funds have been paid into the Registry of the Court and deposited in the Court Registry Investment System (CRIS). CRIS is a cash management tool for handling court registry funds. It provides courts an easy and safe way to manage case-related funds that are periodically deposited with the court. CRIS was not designed to actively manage funds.

The federal law requiring EVOS funds to be deposited in CRIS causes two problems. First, all funds deposited in CRIS are assessed a fee of ten percent of interest earnings. Since 1991, the fund has been assessed more than \$2 million in fees. These fees are in addition to investment management fees. According to an independent auditor hired by the Trustee Council, the fees basically cover the services of one individual who determines what portion of funds are available for investment and directs a commercial bank to purchase government securities. The bank performs all record-keeping and

bookkeeping services. The auditors found that the "fees charged for this service are clearly disproportionate to the costs incurred by the Court Clerk for this service."

The second problem is the fund's low rate of return. By law, funds deposited in Court Registry accounts can only be invested in U.S. government Treasury securities. The twelve month average rate of return for the period ending June 30, 1997 for the CRIS Fund was 5.12%, before fees. In contrast, the twelve month average rate of return ending June 30, 1997 for the State of Alaska Employees Retirement Fund, which consists of multiple asset classes, was 18%.

In its March 1 resolution the Trustee Council is seeking flexibility to move the joint funds out of the Registry of the Court and invest funds in appropriate accounts to maximize the revenues while maintaining the safety of the investments. The CS for HJR 13 supports this effort and urges the Alaska Congressional delegation to work with the Trustee Council to achieve this.

Post-it® Fax Note	7671	Date	3/30	# of pages	7
To	Wilda Rodman	From	EVOS		
Co./Dept.		Co.			
Phone #		Phone #	278-8012		
Fax #	465-3884	Fax #	276-7178		

RESOLUTION  
of the  
Exxon Valdez Oil Spill Trustee Council  
concerning the  
Restoration Reserve and Long-term Restoration Needs

WHEREAS, in November 1994, following an extensive public process, the *Exxon Valdez* Oil Spill Trustee Council ("Trustee Council") adopted the *Restoration Plan* to guide a comprehensive and balanced program to restore resources and services injured by the oil spill;

WHEREAS, since that time the Trustee Council has used the *Restoration Plan* to guide development of the annual work plans as well as the acquisition and protection of large and small habitat parcels important to the long-term recovery of injured resources and services;

WHEREAS, the *Restoration Plan* identified a series of large parcel purchases and the Trustee Council has been successful in obtaining habitat protection agreements with willing-seller landowners to provide protection for approximately 635,000 acres;

WHEREAS, the *Restoration Plan* recognized that complete recovery from the oil spill would not occur for decades and that through long-term observation and, as needed, restoration actions, injured resources and services could be fully restored;

WHEREAS, the *Restoration Plan* specifically recognized establishment of the Restoration Reserve to provide a secure source of funding for restoration into the future beyond the last annual payment from the Exxon Corporation;

WHEREAS, the Trustee Council has sponsored an extensive public involvement process to provide opportunity for comment on possible future uses of the Restoration Reserve including public meetings in communities throughout the spill impact region and also in Anchorage, Fairbanks and Juneau;

WHEREAS, a large volume of public comment regarding the Restoration Reserve has been solicited and received urging a wide range of uses for remaining settlement funds including a strong showing of support for additional habitat protection efforts as well as research and other restoration efforts;

WHEREAS, numerous Native tribal members and other community residents from the spill area have indicated a strong interest in continued support for community-based efforts consistent with those that have been previously funded by the Trustee Council such as subsistence restoration, Traditional Ecological Knowledge, youth area watch, cooperative management, and local stewardship efforts;

WHEREAS, the Public Advisory Group (PAG) has reviewed and discussed long-term restoration needs and use of the Restoration Reserve at considerable length and the views of the PAG members have been communicated to the Trustee Council;

WHEREAS, upon consideration of the restoration mission as provided by the settlement and the *Restoration Plan*, past restoration program efforts and accomplishments, public comments received by the Trustee Council, the views of the Public Advisory Group members, and the most current information regarding the status of recovery of the resources and services injured by the oil spill, the Trustee Council has identified substantial and continuing long-term restoration needs;

WHEREAS, full recovery of many injured resources and services is not yet complete and long-term restoration, conservation and improved management of these resources and services will require a substantial on-going investment to improve our understanding of the biology and marine and coastal ecosystems that support the resources as well as the people of the spill region;

WHEREAS, prudent use of the natural resources of the spill area without unduly impacting their recovery requires increased knowledge of critical ecological information about the northern Gulf of Alaska that can only be provided through a long-term research and monitoring program;

WHEREAS, together with scientific research and monitoring, a continuing commitment to habitat protection and general restoration actions, where appropriate, will help ensure the full recovery of injured resources and services;

WHEREAS, consistent with the *Restoration Plan*, restoration needs identified by the Trustee Council require a long-term comprehensive and balanced approach that includes a complementary commitment to scientific research and monitoring; applied science to inform and improve the management of injured resources and services; continued general restoration activities where appropriate; support for community-based efforts to restore and enhance injured resources and services; and protection for additional key habitats.

WHEREAS, by October 2002, as a result of the past and anticipated future deposits into the Restoration Reserve, it is estimated that the principal and interest in the reserve, together with remaining unobligated settlement funds, will be approximately \$170 million unless, prior to that time, on-going negotiations concerning the Karluk and Sturgeon rivers and adjacent lands or other potential habitat transactions result in habitat acquisition agreements that obligates some of these funds;

WHEREAS, absent such additional acquisition agreements, \$170 million is the total of the funds estimated to be available to support long-term restoration based on projected investment returns allowable through the Court Registry under its existing authority and thus reasonably anticipated as available for restoration purposes by the Trustee Council starting with FY 2003 ("estimated funds remaining on October 1, 2002"); and

WHEREAS, the limits of the existing investment authority of the Trustee Council have resulted in the loss of millions of dollars in potential earnings that would have been available to effectively address restoration needs in the future and support a comprehensive program that maintains its value over time, and it is necessary that the limits on the investment authority for the joint settlement funds be amended by Congress if we are to optimize our potential restoration program;

THEREFORE BE IT RESOLVED, that the Trustee Council has determined that recovery from the *Exxon Valdez* oil spill remains incomplete and there is need for establishing at this time a continuing long-term, comprehensive and balanced restoration program consistent with the *Restoration Plan*;

BE IT FURTHER RESOLVED, that funds in the Restoration Reserve and other remaining unobligated settlement funds available on October 1, 2002 (for expenditure starting in FY 2003) be allocated in the following manner consistent with the "Outline of Action Under Existing Authority" dated 3/1/99 attached to this resolution:

- \$55 million of the estimated funds remaining on October 1, 2002 and the associated earnings thereafter will be managed as a long-term funding source with a significant proportion of these funds to be used for small parcel habitat protection and it is recognized that any funding that may be authorized for purchase of lands along or adjacent to the Karluk or Sturgeon rivers or other potential habitat acquisitions would be made from within this allocation; and
- the remaining balance of funds on October 1, 2002 will be managed so that the annual earnings, estimated at approximately 5% per year, will be used to fund annual work plans that include a combination of research, monitoring, and general restoration including those kinds of community-based restoration efforts consistent with efforts that have been previously funded by the Trustee Council, such as subsistence restoration, Traditional Ecological Knowledge, Youth Area Watch, cooperative management, and local stewardship efforts, as well as local community participation in ongoing research efforts;

BE IT FURTHER RESOLVED, that the Restoration Office and the Chief Scientist, under the direction of the Executive Director, shall begin to develop a long-term research and monitoring program for the spill region that will inform and promote the full recovery and restoration, conservation and improved management of spill-area resources; and

BE IT FURTHER RESOLVED, that it is the intent of the Trustee Council that this long-term reserve for research, monitoring and general restoration be designed to ensure the conservation and protection of marine and coastal resources, ecosystems, and habitats in order to aid in the overall recovery of those resources injured by the *Exxon Valdez* oil spill and the long-term health and viability of the spill area marine environment;

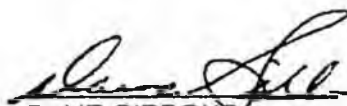
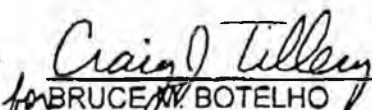
BE IT FURTHER RESOLVED, that in developing a long-term restoration research, monitoring and general restoration program for the spill region, the Executive Director shall solicit the views of the Public Advisory Group, community facilitators, resource management agencies, researchers and other public interests as well as coordinate restoration program efforts with other marine research initiatives including the North Pacific Research Board;

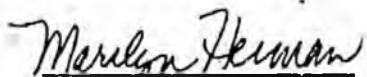
BE IT FURTHER RESOLVED, that the Executive Director shall work with the Alaska Congressional delegation and appropriate State and federal agencies to obtain the necessary investment authority to increase the earnings on remaining settlement funds, so that the Trustee Council will be able to conduct an effective restoration program that maintains its value over time; and


BE IT FURTHER RESOLVED, that in developing long-term implementation options for consideration by the Trustee Council, the Executive Director shall:

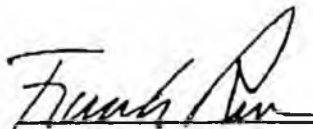
- investigate possible establishment of new or modified governance structures to implement long-term restoration efforts,
- explore alternative methods to ensure meaningful public participation in restoration decisions, and
- report back to the Trustee Council by September 1, 1999 regarding these efforts.

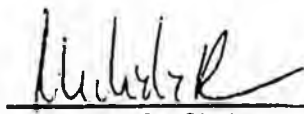
Adopted this 1<sup>st</sup> day of March, 1999, in Anchorage, Alaska.

	<u>3/15/99</u>	for		<u>3/9/99</u>
DAVE GIBBONS	Date		BRUCE BOTELHO	Date
Trustee Representative			Attorney General	
Alaska Region			State of Alaska	
USDA Forest Service				

	<u>3/11/99</u>
MARILYN HEIMAN	Date
Special Assistant to the	
Secretary for Alaska	
U.S. Department of the Interior	

	<u>3/15/99</u>
STEVEN PENNOYER	Date
Director, Alaska Region	
National Marine Fisheries Service	

	<u>3/16/99</u>
FRANK RUE	Date
Commissioner	
Alaska Department of	
Fish and Game	

	<u>3/17/99</u>
MICHELE BROWN	Date
Commissioner	
Alaska Department of	
Environmental Conservation	

## OUTLINE OF ACTION UNDER EXISTING AUTHORITY

Assumptions:

- Use of the Restoration Reserve funds will commence with FY 2003 (October 2002)
- The Trustee Council will allocate an additional \$36M to the Restoration Reserve (annual \$12M payments in FY 2000, 2001 and 2002)
- Additional restoration program authorizations from March 1999 to October 2002, exclusive of contractual land payments and other habitat commitments, will amount to not more than \$35M
- Remaining unobligated balance of restoration funds in October 2002 will be \$170M including funds that may be needed for a possible Koniag Karluk-Sturgeon acquisition
- Trustee Council receives no new investment authority and continues to invest settlement funds in treasury instruments that yield approximately 5%

Elements of a Long-Term Restoration Program:

- Consistent with the *Restoration Plan*, the core elements of a long-term restoration effort would focus on research, monitoring, and general restoration including community-based restoration, and habitat protection
- Starting in FY 2003, and except as otherwise approved by the Council for habitat protection, restoration efforts would be funded from the earnings of remaining funds
- Earnings estimated at approximately 5% per year from treasury investments (nominal yield)
- The approximately \$170M in restoration funds remaining on October 1, 2002 will be allocated into two parts:
  - ✓ \$55M for habitat protection, including a possible Koniag Karluk-Sturgeon acquisition and any other additional acquisitions approved by the Council prior to that date
  - ✓ remainder (estimated at \$115M plus, under the current assumptions) for research-monitoring, general restoration and community-based projects (e.g., subsistence, TEK, stewardship)
- Absent changes in the investment authority and consequent increased yield on investments, there would be no inflation-proofing with the consequent loss of purchase power over time in proportion to prevailing inflation rates (in order to support an annual restoration program of effective size)
- Cost of program management apportioned according to relative expense (public involvement, agency participation, peer review, habitat acquisition support, administration, etc.) to either the habitat or research, monitoring and general restoration funds as appropriate

Habitat Protection:

- \$55M of remaining funds on October 1, 2002 (FY 2003) for Habitat Protection would include any amounts needed to complete the Koniag Karluk-Sturgeon acquisition or other potential habitat protection purchases

- \$55M of the estimated funds remaining on October 1, 2002 and the associated earnings thereafter will be managed as a long-term funding source with a significant proportion of these funds to be used for small parcel habitat protection and it is recognized that any funding that may be authorized for purchase of lands along or adjacent to the Karluk or Sturgeon rivers or other potential habitat acquisitions would be made from within this allocation
- After December 2001 (the end of the current easement), the \$16.5M previously allocated for the Koniag Karluk-Sturgeon acquisition, if not obligated at that point, would be available for other habitat protection efforts
- Issues that require further consideration:
  - ✓ priority, criteria and decision-making process for specific parcel selection
  - ✓ possible role of non-governmental organization to implement program after October 2002
  - ✓ extent of public involvement in future program

Research, Monitoring and General Restoration:

- Remaining balance of funds (estimated at \$115M plus under the current assumptions) for Restoration Research, Monitoring, and General Restoration would be managed so that earnings-only would be used to support annual work plans starting with FY 2003
- Annual earnings currently estimated at 5% per year if within the U.S. Treasury (nominal yield, no inflation proofing)
- Annual work plan would support continuing restoration and enhancement of oil spill injured resources including long-term research-monitoring, development of improved management tools, synthesis of results, general restoration activities, and community-based restoration projects such as subsistence restoration, Traditional Ecological Knowledge, Youth Area Watch, cooperative management, and local stewardship efforts as well as local community participation in on-going research efforts
- Issues that require further consideration:
  - ✓ whether changes in the annual work plan process are appropriate in light of reduced scale
  - ✓ means and extent of scientific peer review
  - ✓ means and extent of public involvement in process
  - ✓ how and to what extent communities and tribes of the spill area would be involved in long-term research, monitoring, stewardship and cooperative management efforts
  - ✓ whether a new organization or governance structure is needed

3/1/99

Executive Director WORKING DRAFT Recommendation

**SUMMARY OF PAST AND ESTIMATED FUTURE USES OF SETTLEMENT**  
(in \$millions)

<b>REIMBURSEMENTS FOR SPILL RESPONSE</b>				<b>213.1</b>		
<b>RESTORATION MANAGEMENT</b>	<b>FFY 92-99</b>	<b>FFY 00-02</b>	<b>FFY 03+</b>			
Science Management, Public Involvement & Administration	24.7	5.1	TBD	(a)		
<b>RESTORATION IMPLEMENTATION</b>	<b>FFY 92-99</b>	<b>FFY 00-02</b>	<b>Remaining Funds</b>	<b>(b)</b>		
				<b>TOTAL</b>		
Research, Monitoring, General Restoration	145.0	25.4	115.0	285.4	39.8%	
Habitat Protection	372.1	4.5	55.0	431.6	60.2%	
	<b>517.1</b>	<b>29.9</b>	<b>170.0</b>	<b>717.0</b>	<b>100.0%</b>	

(a) To date, Restoration Office science management, public involvement and administration has cost approximately 5% of restoration program expenditures overall. Beyond FFY 02, science management, public involvement and administration costs will be allocated in proportion to program area costs.

(b) Estimate of remaining funds includes Restoration Reserve (with \$12 million per year to be placed into the reserve FFY 00 - FFY 02), interest accrued, the \$16.5 million committed to a Koniag purchase through 2001 plus additional funds currently unallocated.

03/30/99 10:30 907 278 7178

Restoration

007/007

# CORRECTION

THE FOLLOWING DOCUMENT(S)  
HAVE BEEN REFILMED TO  
ASSURE LEGIBILITY OR PAGINATION



Rev. 6/98

Central Microfilm Services  
Department of Education & Early Development  
State of Alaska

3/1/99

## Executive Director WORKING DRAFT Recommendation

**SUMMARY OF PAST AND ESTIMATED FUTURE USES OF SETTLEMENT**  
(In \$millions)

REIMBURSEMENTS FOR SPILL RESPONSE 213.1

<u>RESTORATION MANAGEMENT</u>	FFY 92-99	FFY 00-02	FFY 03+	
Science Management, Public Involvement & Administration	24.7	5.1	TBD	(a)

<u>RESTORATION IMPLEMENTATION</u>	FFY 92-99	FFY 00-02	Remaining Funds	<u>TOTAL</u>	
Research, Monitoring, General Restoration	145.0	25.4	115.0	285.4	39.8%
Habitat Protection	372.1	4.5	55.0	431.6	60.2%
	<u>517.1</u>	<u>29.9</u>	<u>170.0</u>	<u>717.0</u>	<u>100.0%</u>

(a) To date, Restoration Office science management, public involvement and administration has cost approximately 5% of restoration program expenditures overall. Beyond FFY 02, science management, public involvement and administration costs will be allocated in proportion to program area costs.

(b) Estimate of remaining funds includes Restoration Reserve (with \$12 million per year to be placed into the reserve FFY 00 - FFY 02), interest accrued, the \$16.5 million committed to a Koniag purchase through 2001 plus additional funds currently unallocated.

# Wildlife still hurt by spill

2/10/99  
Recovery slow  
for many species

By MAUREEN CLARK  
The Associated Press

Ten years after the tanker Exxon Valdez spilled 11 million gallons of crude oil into Prince William Sound, only two of the nearly two dozen species hurt by the disastrous spill are fully recovered, according to the state-federal panel overseeing restoration of the spill area.

The Exxon Valdez Oil Spill Trustee Council on Tuesday updated the official status of the birds, fish and marine mammals hurt by the spill.

The council added river otters to its list of species considered recovered. They join bald eagles, which were declared recovered 2½ years ago.

The March 24, 1989, spill fouled 1,300 miles of shoreline and killed hundreds of thousands of seabirds and thousands of otters, seals and other animals. It also disrupted salmon and herring fisheries for several years.

Environmentalists used the trustees' update as an opportunity to call for Washington lawmakers to oppose Exxon Corp.'s \$77.2 billion takeover of Mobil Corp.

"We're having trouble holding Exxon accountable," said Rikki Ott, a biologist and activist from Cordova.

Exxon should be required to pay a \$5.2 billion jury verdict resulting from the spill before the company gets any bigger, Ott said. Exxon's appeal of the 1994 award is before the 9th U.S. Circuit Court of Appeals.

Exxon officials in Irving, Texas, had no comment Tuesday on the trustees' findings or on calls to halt the takeover, spokesman Ed Burwell said.

The trustee council had been considering adding pink salmon to the list of recovered species, but decided against that, said Stan Senner, science coordinator for the council.

"There is a great deal of concern about lingering effects of oil in subtidal areas," Senner said. Scientists study-

## SPILL: Species still recovering

Continued from Page B-1

ing the effects of the spill have found that even small quantities of oil can damage salmon eggs.

Along with pink salmon in the "recovering" category are mussels, red salmon, and the common murre, a small seabird. About 20,000 oiled murrets were found dead in the months after the spill — three-fourths of all the dead birds recovered in the period.

The trustees voted Tuesday to boost the status of several species from "not recovering" to "recovering." They include clams, Pacific herring, sea otters, black oyster catchers, and marbled murrelets. The marbled murrelet is listed as a threatened species in Washington, Oregon, California and British Columbia.

Several species continue to show little or no clear improvement since the spill, the council said. They include the common loon, cormorants, harbor seals, harlequin ducks, killer whales and pigeon guillemots.

Very little is known about some species hurt by the spill, so the status of their recovery is unknown, Senner said. Those include cutthroat trout, Dolly Varden, Kitlitz's murrelet and rockfish.

January 13, 1999

Voice of The Times  
Anchorage Daily News

## **"Public support needed for spill endowment"**

by Grant C. Baker

[ Up ]

The 10th anniversary of the 1989 Exxon Valdez Oil Spill (EVOS) is approaching soon. A spill symposium will be held from March 23-26 at the Egan Civic and Convention Center to commemorate the event.

Status of restoration programs will be presented. The programs are funded by the \$900 million settlement Alaska made with Exxon in 1991. Each year, a payment is made. The last settlement payment will be received from Exxon in 2001.

A portion of the settlement payments have been set aside each year to create a restoration reserve fund. The reserve is expected to be worth about \$140 million in 2002.

As the final payment grows near, the EVOS Trustee Council has the problem of deciding how to spend the reserve. Oil-damaged areas still need to be restored. Work is needed to fix sporadic and depressed fishery stocks, oiled seabed contamination and the lack of effective oil cleanup methods.

During the same time period since the spill, the financial woes of the University of Alaska have also been heard. The recent low price of oil worsens the problem for the University.

There seems to be a mutual solution to their problems. The needs of the EVOS Trustee Council mesh very well with the mission of the university. Thus, the reserve represents a rare opportunity for both to solve their problems by creating a university research endowment.

Universities across the country have recognized the importance of endowments for their future survival. An Internet search turns up hundreds of Web sites about university endowments.

In 1997, the top 300 university endowments ranged from about \$11 billion to a low of \$67 million. In comparison, the University of Alaska has an endowment worth about \$30 million.

How do university endowments work? First, an initial amount of money is placed into an account. The account earns interest or a rate of return from investments each year. Over the past four years, the average rate of return for 500 university endowments has been about 15 percent.

Part of the earnings is used each year to support things such as research and technology development. This is commonly about 5 percent of the endowment fund. Earnings that remain are left in the account. Each year the account grows and so does the annual amount that can be used. In many ways, an endowment for the University of Alaska would be like the Alaska Permanent Fund.

For example, suppose a \$100 million EVOS endowment is established today for the university. Assume for the sake of discussion that a 15 percent rate of return is used. Over the next 20 years, the endowment will increase nearly six-fold and be worth about \$600 million. An additional \$300 million would have been generated to conduct research.

However, the greatest benefit of an endowment may be the snowballing of opportunities it creates.

Earnings from a \$100 million endowment can fund about 25 permanent endowed research chairs. World-class experts are selected to do the work funded by the endowed chairs. Twenty-five experts in fields such as fisheries, biology, chemistry, and environmental engineering would create a very special university.

World-class experts attract funding from many sources including private industry, and state and federal agencies. Relationships with existing funding sources are enhanced and new funding sources are established. Additional income can be generated from patents and other intellectual properties. For example, Stanford University received about \$120 million from patents and special programs in 1997.

Thus, a broad funding base is generated with long lasting stability for the university and the community. An outstanding environment of teaching and learning is established. That is a natural attraction for students.

An endowment may be structured to do whatever the Trustee Council needs done. As a cooperative effort between the university and the Trustee Council, a customized endowment can be constructed to superbly fulfill the purpose of the EVOS settlement funds.

Public support for an endowment is growing. Resolutions of support have come from the Anchorage Assembly and the Greater Fairbanks Chamber of Commerce. Anchorage Mayor Rick Mystrom, Republican and Democratic legislators, students, and many others have submitted letters of support.

But, the Trustee Council is not yet convinced. It has not committed to the endowment idea.

An endowment can be the key to getting the University on track to become self-supporting. University officials and the Trustee Council need to be shown how well an endowment matches their needs. They need to be urged to get together and make an endowment happen.

Public comments of support are needed soon. The Trustee Council is scheduled to meet on January 21-22 to discuss how the Restoration Reserve will be spent.

The mailing address for the Trustee Council is 645 G St. Suite 401, Anchorage, AK 99501. Addresses and phone numbers for individual Trustee Council members, legislators, and university officials may be obtained from the Internet WEB site at:

<http://www.alaska.net/~baker/evos.htm>

As the 10th anniversary of the spill approaches, the Trustee Council would serve itself and Alaskans well by making sure a university endowment happens as part of the spill legacy.

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*Dr. Grant C. Baker is a faculty member of the University of Alaska Anchorage, an alumnus of the University of Alaska Fairbanks, and a Prince William Sound commercial fisherman.*  
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**University of Alaska President**  
**Mark R. Hamilton**  
**Support for Creating Endowed Chairs and Research Endowment**  
**with the EVOS Restoration Reserve**  
**[ Up ]**

September 28, 1998

Exxon Valdez Oil Spill Trustee Council  
645 "G" Street  
Anchorage, AK 99501

Dear Trustees:

Beginning in 1993, the University of Alaska, along with a significant portion of the Alaska public, has been requesting the Trustee Council maximize the long-term impact of the Exxon settlement through the establishment of a research endowment and the creation of University endowed chairs in appropriate disciplines. Now, in 1998, with over 85% of the EVOS Restoration Reserve expended, no research endowment in place, and no endowed chairs established, I urge you to seriously reconsider these proposals.

Although significant research projects have been supported by the Council, many important areas of inquiry remain that can only effectively be addressed over an extended period of time. Additionally, there are significant areas of applied endeavor relating to spill technology, restoration methods, and ecosystem preservation that have been learned from work thus far that now needs to be pursued and extended for maximum public benefit.

The establishment of an endowment with a major portion of the remaining Reserve will provide a modest annual flow of funds that will allow, through direct grants and leveraging of additional state, federal and private funds, the continuation of important basic and applied research on the coastal ecosystem of the EVOS impacted area. Additionally, the establishment of selected endowed chairs in relevant instructional, research and/or public service programs would further assure that the lessons learned from the Exxon tragedy will continue to be explored and discussed in classrooms, laboratories, public seminars, and community outreach programs.

Although, it seems most appropriate for the EVOS endowment to be established through the University of Alaska, it would be my recommendation that proposals for annual funding be accepted from all sources, including federal and state government. To secure the maximum benefit for the state and particularly the EVOS impacted area, the earnings of the endowment should support priorities established by the advisory group representing regional interests, including those of major industries, state and federal government, scientific representatives, and regional fisheries and aquaculture associations.

I have tremendous respect for the difficult and controversial task that you have performed on behalf of Alaska and the magnificent region that was impacted by the Exxon oil spill. I urge you now to give your support to the proposal for establishment of a permanent endowment to assure that the spill response technology, environmental restoration and monitoring programs, and public education projects that you have initiated and supported will continue long into the future.

Sincerely,

Mark R. Hamilton  
President

**Letter of Support from  
Alaska Senator Frank H. Murkowski  
for creating a University of Alaska endowment  
from the EVOS Restoration Reserve fund  
[ Up ]**

**United States Senate**  
Committee on Energy and Natural Resources  
Washington, DC

Senator Frank H. Murkowski  
Chairman

September 22, 1998

Ms. Molly McCammon  
Executive Director  
EVOS Trustee Council  
645 G. Street, Suite 401  
Anchorage, Alaska 99501

Dear Molly:

I strongly believe it is time to focus attention of the remaining Exxon Valdez Oil Spill (EVOS) funds toward a long term understanding of the Prince William Sound ecosystem and not on a short term goal of habitat acquisition. Therefore, I want to voice my strong support for creating an endowment for the University of Alaska from EVOS Restoration Reserve funds. The creation is an excellent way to combine the goals of the Trustee Council with the capabilities of the University.

In this regard, I am very proud of the efforts by Alaskans to create an endowment. Recent resolutions passed by the cities of Anchorage and Fairbanks show that Alaskans understand the value of their University in meeting the needs of Alaskan communities. Letters of support from UAA Chancellor Lee Gorsuch, UAF Chancellor Joan Wadlow, UAF Alumni, and University faculty and students show that the University wants to serve the public and has the capability to do so. The many of other letters of support from Mayor Mystrom, and the Voice of the Times provide further confirmation that creating a University endowment is the right thing to do.

I hope you will consider the growing numbers of Alaskans who are expressing their opinion in support of endowed chairs and centers within the University of Alaska at your earliest convenience.

Thank you for consideration of this request.

Sincerely,

Frank H. Murkowski  
Chairman

\*\*\*\*\*

**Anchorage Mayor Rick Mystrom**  
Letter of Support for establishing a University Endowment  
from EVOS funds.  
[ Cp ]

September 11, 1998

EVOS Trustee Council  
645 G Street, Suite 401  
Anchorage, Alaska 99501

Dear Trustees:

I concur with UAA Chancellor Lee Gorsuch and the Anchorage Assembly and wish to add my support for establishing a research endowment from the EVOS funds within the University of Alaska.

There are numerous benefits to be gained for both the Trustee Council and the City of Anchorage from such an endowment. Our mutual interests and needs mesh very well with the purpose and capability of UAA.

Anchorage is centrally located near two main areas damaged by the spill. Cook Inlet and Prince William Sound are known spill damaged areas continuing to recover. The road to Whittier will soon be completed and will make Prince William Sound much more accessible. Anchorage is a logical choice for spill-based operations since logistics and other costs associated with research and other spill related work could be minimized. Also, several Native Corporations have offices located in Anchorage that over-see spill damaged areas.

I am pleased to endorse the concept of the establishment of a University endowment. It promises numerous benefits for the people of Anchorage and all Alaskans and also serve the mission of the Trustee Council.

Sincerely,

Rick Mystrom  
Mayor

\*\*\*\*\*

**UAF Alumni Letter of Support for Establishing an Endowment  
at the University of Alaska with EVOS Funds**

**July 20, 1998**

[ Up ]

July 20, 1998

EVOS Trustee Council  
Restoration Office  
645 G Street, Suite 401  
Anchorage, AK 99501

On behalf of the University of Alaska Alumni Association, I want to express our support for using the funds from the Exxon Valdez Oil Spill (EVOS) civil claims settlement between the state and federal government and the Exxon Corporation to endow academic and research chairs at the University of Alaska.

The University of Alaska is the premier research institution in Alaska with facilities and researchers necessary for the future research on the effects, prevention and further clean up of oil spills and other environmental disasters such as the Exxon Valdez spill. The smart thing to do with these funds is to use them in Alaska, at the State's research university. This endowment would greatly assist the Council in accomplishing its mission to "effectively restore the environment injured by the spill to a healthy, productive ecosystem, while taking into account the importance of quality of life and need for viable opportunities to establish and sustain a reasonable standard of living."

--"Jake" Poole, UAF Alumni Association President, July 20, 1998

\*\*\*\*\*

**Board Passes Resolution to Endow Chairs from EVOS**

-by Chip Wagoner

--UAF Alumnus newsletter, January 1996.

What does the UAF Alumni Association Board, the American Ornithologists' Union, the Wildlife Society, the Pacific Seabird Group, the Alaska District of the American Institute of Fishery Research Biologists and the American Bald Eagle Foundation all have in common? All have endorsed using funds from the Exxon Valdez Oil Spill (EVOS) civil claims settlement between the state and federal governments and the Exxon Corporation to endow academic and research chairs at the University of Alaska.

The settlement funds are managed by the EVOS Trustee Council composed of six state and federal governmental officials. The Council's mission is to "efficiently restore the environment injured by the spill to a healthy, productive ecosystem, while taking into account the importance of quality of life and need for viable opportunities to establish and sustain a reasonable standard of living."

The Alumni Board joined University of Alaska President Jerome Komisar and James King '49, a member of the EVOS Trustee Council Public Advisory Group, in urging the Council to provide for the long term needs to monitor and study the impacted resources, communities and populations by endowing academic chairs at the University of Alaska. As a public at large member of the advisory group, Jim King is proposing that the Trustee Council ask the EVOS Restoration Office and the University of Alaska to prepare a detailed plan to use a portion of the restoration reserve to endow chairs designed to fulfill the

EVOS settlement obligation.

The UAF Alumni Board asks you to help both the university and the resources of Prince William Sound by writing to the EVOS Trustee Council at 645 G St., Suite 401, Anchorage AK 99501 and supporting this endowment."

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**UAA Chancellor Lee Gorsuch's Letter of Support  
for a University endowment with EVOS funds  
[ Up ]**

April 9, 1998

EVOS Trustee Council  
645 G Street, Suite 401  
Anchorage, Alaska 99501

Dear Trustees:

I would like to lend support for establishing a research endowment as well as endowed chairs within the University of Alaska system. This is an excellent opportunity for the university and the council to continue work together to accomplish our mutual objectives and goals.

For example, an endowed research chair at UAA provide a means top continue spill-related research in perpetuity. Additional income could be obtained from the patenting of processes for spill restoration and cleanup techniques. Development of educational courses for spill prevention, restoration, and preservation techniques would also serve the needs of our communities, including spill damaged areas, as well as generate additional income from other oil-damaged areas throughout the world also needing similar expertise.

There are numerous faculty on UA campuses prepared to continue to work with the council in advancing its long-term objectives. A research endowment as well as endowed chairs would generate significant long-term value, not only for Prince William Sound, but to our overall understanding of marine ecosystems and their potential response to oil spills. Numerous benefits exist for everyone and I will do all that I can to support this endeavor.

Sincerely,

Edward Lee Gorsuch  
Chancellor

\*\*\*\*\*

04/27/99  
09:48:25

LEGISLATIVE TELECONFERENCE NETWORK SYSTEM  
PARTICIPANT LIST (TESTIFIERS ONLY)  
TCN:90652 SCHEDULED FOR:04/27/99 09:00 TO 11:00  
PUBLIC HEARING SENATE FINANCE

LTN1150  
BY:JNU  
FOR:ALL

LOCATION: ANCHORAGE

SB 95  
SB 95  
SB 123  
HJR 13 ✓

DEBBIE  
LARRY  
JENNIFER  
MOLLY

OSSIANDER  
WIGET  
RUDINGER  
MCCAMMON

ANCH SCHOOL DISTTESTIFY  
ANCH SCHOOL DISTTESTIFY  
AKCLU TESTIFY  
EV TRUSTEE CNCL TESTIFY

SENATE FINANCE COMMITTEE

SIGN - IN

HJR 13 - UNIVERSITY ENDOWMENT FOR RESEARCH

NAME: Wandy Redma Subject/Bill No: \_\_\_\_\_  
Co./Dept./Title: HJA Phone: \_\_\_\_\_  
Address: \_\_\_\_\_ Zip: \_\_\_\_\_

Do you wish to testify?  Yes  No  Respond To Questions

NAME: \_\_\_\_\_ Subject/Bill No: \_\_\_\_\_  
Co./Dept./Title: \_\_\_\_\_ Phone: \_\_\_\_\_  
Address: \_\_\_\_\_ Zip: \_\_\_\_\_

Do you wish to testify?  Yes  No  Respond To Questions

NAME: \_\_\_\_\_ Subject/Bill No: \_\_\_\_\_  
Co./Dept./Title: \_\_\_\_\_ Phone: \_\_\_\_\_  
Address: \_\_\_\_\_ Zip: \_\_\_\_\_

Do you wish to testify?  Yes  No  Respond To Questions

NAME: \_\_\_\_\_ Subject/Bill No: \_\_\_\_\_  
Co./Dept./Title: \_\_\_\_\_ Phone: \_\_\_\_\_  
Address: \_\_\_\_\_ Zip: \_\_\_\_\_

Do you wish to testify?  Yes  No  Respond To Questions

**HJR**

**20**

**HFIN**

**FILE**

# HOUSE COMMITTEE REPORT

(11)

Date Referred to Committee: March 31, 1999

FURTHER REFERRALS:

Date of Committee Action: 4/14/99

The FINANCE Committee considered:

HJR 20

HOUSE JOINT RESOLUTION NO. 20

FEDERAL INCOME TAX MARRIAGE PENALTY

Urging the Congress to amend the Internal Revenue Code of 1986 to eliminate the marriage penalty by providing that income tax rate bracket amounts, and the amount of the standard deduction, for joint returns shall be twice the amounts applicable to unmarried individuals.

recommends it be replaced with the following committee substitute \_\_\_\_\_  the same title  a new title

additional referral to \_\_\_\_\_ Committee  
 attached amendment(s)

ADOPTS: \_\_\_\_\_ Letter of Intent

ATTACHES NEW FISCAL NOTE(S): (Dept) APPROVES PREVIOUS: (Dept/Date)

fiscal note(s) \_\_\_\_\_  fiscal note(s) \_\_\_\_\_

zero fiscal note(s) \_\_\_\_\_  zero fiscal note(s) Misc Special Com on Ec Dev & Tourism 3/31/99

SIGNING WITH RECOMMENDATIONS		DP	DNP	NR	AM
<i>Gene Theriault</i>	Theriault	X			
<i>Ken Bloude</i>	Bunde	✓			
<i>Vin Kehrung</i>	Kehrung	X			
<i>(Vac. Clute)</i>	Austina	X			
<i>Ben Dunsford</i>	Grossardt	X			
<i>Carol E. Moses</i>	Moses	X			
<i>David Davis</i>	Davis	X			
<i>W. J. Williams</i>	Williams	X			
<i>(Signature)</i>	_____	X			

CU CHAIR'S SIGNATURE *Gene Theriault*  
 Theriault

STATE OF ALASKA  
1999 LEGISLATIVE SESSION

Revision Date: \_\_\_\_\_  
Title: Urging Congress to amend ERS code  
of 1986 to eliminate marriage penalty...  
Sponsor: Phillips  
Requester: \_\_\_\_\_

Dept. Affected \_\_\_\_\_  
BRU \_\_\_\_\_  
Component \_\_\_\_\_  
Component Serial No. \_\_\_\_\_

Expenditures/Revenues		(Thousands of Dollars)				
OPERATING EXPENDITURES	FY 00	FY 01	FY 02	FY 03	FY 04	FY 05
Personal Services	0.0	0.0	0.0	0.0	0.0	0.0
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
<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>

CAPITAL EXPENDITURES						
----------------------	--	--	--	--	--	--

CHANGE IN REVENUES [ ]						
------------------------	--	--	--	--	--	--

FUND SOURCE		(Thousands of Dollars)				
1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
1091 Designated Program Receipts						
<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>

Estimate of any current year (FY98) cost: \_\_\_\_\_

POSITIONS						
Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

Prepared by House Special Committee on Economic  
Development and Tourism  
Scott Phillips, Chairman

Phone \_\_\_\_\_  
Phone 465-2689  
Date 3-30-99

STATE OF ALASKA  
1999 LEGISLATIVE SESSION

Revision Date: \_\_\_\_\_

Title: Urging Congress to amend ERS code of 1986 to eliminate marriage penalty...

Sponsor: Phillips

Requester: \_\_\_\_\_

Dept. Affected \_\_\_\_\_

BRU \_\_\_\_\_

Component \_\_\_\_\_

Component Serial No. \_\_\_\_\_

Expenditures/Revenues

(Thousands of Dollars)

OPERATING EXPENDITURES	FY 00	FY 01	FY 02	FY 03	FY 04	FY 05
Personal Services	0.0	0.0	0.0	0.0	0.0	0.0
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
<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>

CAPITAL EXPENDITURES

CHANGE IN REVENUES [ ]

FUND SOURCE

(Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
1091 Designated Program Receipts						
<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>

Estimate of any current year (FY98) cost: \_\_\_\_\_

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

Prepared by

House Special Committee on Economic Development and Tourism

Scott Phillips, Chairman

Phone \_\_\_\_\_

Phone 465-2689

Date 3.30.99

# Alaska State Legislature



Official Business  
Phone: (907)465-2689  
Fax: (907)465-3472

State Capitol  
Room 411  
Juneau, Alaska 99801-1182

**Representative Gail Phillips**

## **SPONSOR STATEMENT**

### **HJR 20 – REMOVING THE MARRIAGE TAX PENALTY**

**Offered before the  
House Special Committee on  
Economic Development & Tourism  
March 29, 1999**

For the past 28 years, married couples have paid a higher tax rate and have received a lower standard deduction than two single individuals under the Internal Revenue Service Code of 1986. This resolution sends a message to Congress emphasizing the Alaska Legislature's support of removing that penalty.

- In the past year, nearly 21 million married couples paid an average of \$1,400 more in taxes because of the marriage penalty. You have in your packets today a schedule that shows the differences in the 1998 federal individual income tax rates and the standard deductions allowed. The average family is now paying more money in taxes than it spends on housing, food, and clothing combined. With the Federal Government projected to run a surplus of \$1.6 trillion over the next 10 years, there is currently an opportunity for Congress to cut taxes so that working Americans can keep more of their hard-earned money.

At this time, there are several bills before Congress proposing eliminating the marriage tax penalty primarily through increasing the standard deduction allowed for married couples and adjusting the tax brackets. I hope you will support this effort by passing this resolution seeking changes to the tax code and demonstrate your willingness to honor the institution of marriage rather than penalize it.

S.CON.RES.20

Setting forth the congressional budget for the United States Government for fiscal years 2000 through 2009. (Placed on the Calendar in the Senate)

SEC. 301. SENSE OF THE SENATE ON MARRIAGE PENALTY.

(a) FINDINGS- Congress finds that--

(1) differences in income tax liabilities caused by marital status are embodied in a number of tax code provisions including separate rate schedules and standard deductions for married couples and single individuals;

(2) according to the Congressional Budget Office (CBO), 42 percent of married couples incurred 'marriage penalties' under the tax code in 1996, averaging nearly \$1,400;

(3) measured as a percent of income, marriage penalties are largest for low-income families, as couples with incomes below \$20,000 who incurred a marriage penalty in 1996 were forced to pay nearly 8 percent more of their income in taxes than if they had been able to file individual returns;

(4) empirical evidence indicates that the marriage penalty may affect work patterns, particularly for a couple's second earner, because higher rates reduce after-tax wages and may cause second earners to work fewer hours or not at all, which, in turn, reduces economic efficiency; and

(5) the tax code should not improperly influence the choice of couples with regard to marital status by having the combined Federal income tax liability of a couple be higher if they are married than if they are single.

(b) SENSE OF THE SENATE- It is the sense of the Senate that the levels in this resolution and legislation enacted pursuant to this resolution assume that significantly reducing or eliminating the marriage penalty should be a component of any tax cut package reported by the Finance Committee and passed by Congress during the fiscal year 2000 budget reconciliation process.

# CORRECTION

THE FOLLOWING DOCUMENT(S)  
HAVE BEEN REFILMED TO  
ASSURE LEGIBILITY OR PAGINATION



Rev. 6/98

Central Microfilm Services  
Department of Education & Early Development  
State of Alaska

# Alaska State Legislature



Official Business  
Phone: (907)465-2689  
Fax: (907)465-3472

State Capitol  
Room 411  
Juneau, Alaska 99801-1182

**Representative Gail Phillips**

## **SPONSOR STATEMENT**

### **HJR 20 – REMOVING THE MARRIAGE TAX PENALTY**

**Offered before the  
House Special Committee on  
Economic Development & Tourism  
March 29, 1999**

For the past 28 years, married couples have paid a higher tax rate and have received a lower standard deduction than two single individuals under the Internal Revenue Service Code of 1986. This resolution sends a message to Congress emphasizing the Alaska Legislature's support of removing that penalty.

- In the past year, nearly 21 million married couples paid an average of \$1,400 more in taxes because of the marriage penalty. You have in your packets today a schedule that shows the differences in the 1998 federal individual income tax rates and the standard deductions allowed. The average family is now paying more money in taxes than it spends on housing, food, and clothing combined. With the Federal Government projected to run a surplus of \$1.6 trillion over the next 10 years, there is currently an opportunity for Congress to cut taxes so that working Americans can keep more of their hard-earned money.

At this time, there are several bills before Congress proposing eliminating the marriage tax penalty primarily through increasing the standard deduction allowed for married couples and adjusting the tax brackets. I hope you will support this effort by passing this resolution seeking changes to the tax code and demonstrate your willingness to honor the institution of marriage rather than penalize it.

## 1998 FEDERAL INDIVIDUAL INCOME TAX RATES

Col. 1	Single Individuals		Joint Returns & Surviving Spouses		Heads of Households		Married Filing Separately	
	Taxable Income	Tax on Col. 1	Rate on Excess	Tax on Col. 1	Rate on Excess	Tax on Col. 1	Rate on Excess	Tax on Col. 1
\$ 0	\$ 0	15%	\$ 0	15%	\$ 0	15%	\$ 0	15%
21,175							3,176.25	28%
25,350	3,802.50	28%						
33,950					5,092.50	28%		
42,350			6,352.50	28%				
51,150							11,569.25	31%
61,400	13,896.50	31%						
77,975							19,885	36%
87,700					20,142.50	31%		
102,300			23,138.50	31%				
128,100	34,573.50	36%						
139,225							41,935	39.6%
142,000					36,975.50	36%		
155,950			39,770	36%				
278,450	88,699.50	39.6%	83,870	39.6%	86,097.50	39.6%		

## STANDARD DEDUCTIONS

	Single Individuals	Joint Return/ Surviving Spouses	Heads of Households	Married Filing Separately
Basic	\$4,250	\$7,100	\$6,250	\$3,550
Over 65	5,300	7,950 (one) 8,800 (both)	7,300	4,400
Blind	5,300	7,950 (one) 8,800 (both)	7,300	4,400
Over 65 & Blind	6,350	8,800 (one) 10,500 (both)	8,350	5,250

Taxpayers may "itemize" deductions when deductions total more than the standard deductions shown. Itemized deductions are reduced by 3% of a taxpayer's adjusted gross income (AGI) over \$124,500 (\$62,250 for married persons filing a separate return). Maximum reduction is 80% of affected deductions. Taxpayers who take the standard deduction are unaffected.

S.CON.RES.20

Setting forth the congressional budget for the United States Government for fiscal years 2000 through 2009. (Placed on the Calendar in the Senate)

SEC. 301. SENSE OF THE SENATE ON MARRIAGE PENALTY.

(a) FINDINGS- Congress finds that--

(1) differences in income tax liabilities caused by marital status are embodied in a number of tax code provisions including separate rate schedules and standard deductions for married couples and single individuals;

(2) according to the Congressional Budget Office (CBO), 42 percent of married couples incurred 'marriage penalties' under the tax code in 1996, averaging nearly \$1,400;

(3) measured as a percent of income, marriage penalties are largest for low-income families, as couples with incomes below \$20,000 who incurred a marriage penalty in 1996 were forced to pay nearly 8 percent more of their income in taxes than if they had been able to file individual returns;

(4) empirical evidence indicates that the marriage penalty may affect work patterns, particularly for a couple's second earner, because higher rates reduce after-tax wages and may cause second earners to work fewer hours or not at all, which, in turn, reduces economic efficiency; and

(5) the tax code should not improperly influence the choice of couples with regard to marital status by having the combined Federal income tax liability of a couple be higher if they are married than if they are single.

(b) SENSE OF THE SENATE- It is the sense of the Senate that the levels in this resolution and legislation enacted pursuant to this resolution assume that significantly reducing or eliminating the marriage penalty should be a component of any tax cut package reported by the Finance Committee and passed by Congress during the fiscal year 2000 budget reconciliation process.

STATE OF ALASKA  
 1999 LEGISLATIVE SESSION

Revision Date: \_\_\_\_\_  
 Title: Urging Congress to amend I.R.S code  
of 1986 to eliminate marriage penalty...  
 Sponsor: Phillips  
 Requester: \_\_\_\_\_

Dept. Affected \_\_\_\_\_  
 BRU \_\_\_\_\_  
 Component \_\_\_\_\_  
 Component Serial No. \_\_\_\_\_

Expenditures/Revenues		(Thousands of Dollars)				
OPERATING EXPENDITURES	FY 00	FY 01	FY 02	FY 03	FY 04	FY 05
Personal Services	0.0	0.0	0.0	0.0	0.0	0.0
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
<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>

CAPITAL EXPENDITURES						
----------------------	--	--	--	--	--	--

CHANGE IN REVENUES ( )						
------------------------	--	--	--	--	--	--

FUND SOURCE		(Thousands of Dollars)				
1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
1091 Designated Program Receipts						
<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>

Estimate of any current year (FY98) cost: \_\_\_\_\_

POSITIONS						
Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

Prepared by House Special Committee on Economic  
Development and Tourism  
Scott Phillips, Chairman

Phone \_\_\_\_\_  
 Phone 465.2689  
 Date 3.30.99

The Heritage Foundation  
**Background**

No. 1250

February 8, 1999

## HOW TO FIX THE MARRIAGE PENALTY IN THE TAX CODE

DANIEL J. MITCHELL

Approximately 21 million American couples pay higher taxes simply because they are married and their combined incomes push them into a higher tax bracket. The average extra tax bill for these couples is \$1,400, but the added tax burden can be as high as \$20,000.<sup>1</sup>

The marriage penalty is bad tax policy for several reasons. It is unfair to impose different tax burdens on couples that have equal incomes just because one of those couples is married. Moreover, it is unwise for politicians to use the tax code to subsidize or penalize behavior, particularly when such policies send counterproductive messages about marriage and work. Imposing higher marginal tax rates on a lower-earning spouse artificially discourages employment, thereby diminishing the couple's economic security as well as reducing the country's economic growth.

A flat tax would eliminate the tax code's bias against marriage. But to the extent that such fundamental reform is not immediately possible, there are other ways to address the marriage penalty. For example, increasing the standard deduction for married couples and raising the levels at which

higher tax rates take effect would eliminate almost the entire penalty. Congress should adopt the approach that provides the largest degree of tax relief with the least amount of complexity. Fortunately, legislation is being sponsored in the House and Senate that is designed to address these problems.

### PENALIZING MARRIED COUPLES

Marriage should not affect a couple's tax liability. The tax code should impose the same tax on two couples having the same income, regardless of marital status. Several sections of the current income tax code contribute to the penalty imposed on married couples, including:

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Produced by  
The Thomas A. Roe Institute  
for Economic Policy Studies

Published by  
The Heritage Foundation  
214 Massachusetts Ave., N.E.  
Washington, D.C.  
20002-4999  
(202) 546-4400  
<http://www.heritage.org>



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1. Congressional Budget Office, "For Better or for Worse: Marriage and the Federal Income Tax," CBO Study, June 1997. Available at <http://www.cbo.gov/jtpdoc.cfm?index=7&type=1>.

- **Tax brackets.** For the tax code to be marriage-neutral, the income level at which higher tax rates take effect should be twice as high for married couples as it is for single taxpayers. But this is not the case. In 1998, the 28 percent bracket takes effect at \$25,350 for single taxpayers, but at \$42,350 for married taxpayers; \$50,700 would ensure marital status neutrality. For higher-earning couples, the penalty is ever more severe. The "millionaire's surtax" for both individuals and married couples takes effect when income reaches \$278,250.
- **Standard deductions.** The tax code allowed single taxpayers a deduction of \$4,250 in 1998. A marriage-neutral tax code therefore would allow married couples to protect \$8,500 of their income with the standard deduction; instead, married couples are allowed to deduct only \$7,100. This permits unmarried couples to shield a greater proportion of their income and lower their total tax liability.
- **Phase-outs.** According to the American Institute of Certified Public Accountants, there are "63 provisions in the tax code where tax liability depends on whether a taxpayer is married or single."<sup>2</sup> Many of these force married couples to pay more taxes than two cohabiting single adults. This occurs because, even though the code takes away tax preferences as income rises, the income level at which the preferences disappear is not twice as high for married couples as it is for unmarried couples. For example, the child tax credit enacted in 1997 begins to disappear at \$75,000 for single taxpayers, but at \$110,000 for married taxpayers.

It is also worth noting that various spending programs also impose marriage penalties. For example, the earned income tax credit, a wage subsidy that is operated as part of the tax code, has

created substantial marriage penalties for lower-income workers.

Discriminatory tax rates are the root of the problem. As the Congressional Budget Office (CBO) notes,

A tax structure with progressive rates, however, cannot attain both goals [marriage neutrality and equal treatment].<sup>3</sup>

This is the reason a flat tax is the ideal solution. According to the CBO,

Forgoing progressivity... would allow a tax system to satisfy both the goal of marriage neutrality and that of equal treatment of married couples.<sup>4</sup>

## WAYS TO REMOVE THE MARRIAGE PENALTY

Implementing a flat tax would be the best way to eliminate the marriage penalty. Political circumstances and the legislative calendar, however, imply that fundamental tax reform is not likely this year. Fortunately, there are several interim steps that lawmakers could take to redress in part this pernicious feature of the tax code.

Some of these proposals raise concerns about complexity and the propriety of restricting tax relief only to couples who face the penalty (some of the proposals would reduce tax liabilities even for couples not affected by the marriage penalty). Although any of these proposals are preferable to the current system, Congress should select the option that is simple, fair to all families, and offers the most tax relief:

### Option #1: Increase the standard deduction for married couples and raise the income

2. American Institute of Certified Public Accountants, "AICPA Testifies Before Congress on Marriage Penalty," January 28, 1998. Available at <http://www.aicpa.org/members/div/tax/marpen.htm>.
3. *Ibid.*
4. *Ibid.* The sentence actually should refer to *progressive tax rates*, not *progressivity*. The generous family allowance under a flat tax, for example, would mean lower-income taxpayers would enjoy a lower average tax rate than higher-income taxpayers. As such, graduated tax rates, *not* progressivity per se, cause the conflict in the tax code.

level at which the higher tax rates take effect. If tax brackets and deductions for married couples were twice their current level for single taxpayers, almost all the marriage penalty would disappear. This option would provide a significant tax cut of more than \$25 billion annually; only about half the tax cut would go to those who suffer from the marriage penalty. This approach would not add complexity to the tax code and, in effect, would restore the "income-splitting" policy that existed from 1948 to 1969. Eight states use this approach.

**Option #2: Let couples choose their filing status.** Allowing taxpayers to choose their filing status would eliminate the marriage penalty because couples could opt to file individual returns when doing so would lower their tax bill. This option would provide a significant annual tax cut of about \$30 billion. Married taxpayers would need to calculate their taxes both individually and jointly to ascertain which approach saved more money (including decisions on ways to split their joint income, deductions, and exemptions). Nine states and the District of Columbia use this option.

**Option #3: Require individual filing.** The federal government followed this policy prior to 1948. Marriage penalties would disappear under this option, but taxes on couples with non-working spouses would increase. Increasing the individual standard deduction or lowering the tax rates could offset that inadvertent tax increase. These additional changes would result in a tax cut for many taxpayers who are not affected by the marriage penalty.

**Option #4: Provide second-earner deductions or credits.** Between 1982 and 1986, the tax code allowed working spouses a deduction equal to 10 percent of the earnings of the spouse with the lower income (up to a maximum of \$3,000). This type of policy targets relief to those affected by the marriage penalty,

in effect by lowering the marginal tax rate on the second earner. Restoring the 1982 legislation would eliminate only one-third of the total marriage penalty, resulting in a static revenue loss of \$9 billion, according to the CBO.<sup>5</sup> Eliminating the entire marriage penalty would necessitate a larger tax cut.

### The Best Solution

Of the choices listed above, the first option—increasing the standard deduction for married couples and raising the income level at which the higher tax rates take effect—is the most desirable. It would eliminate the marriage penalty without any increase in complexity in the code. And it would provide substantial tax relief at a time in which the tax burden consumes more of the economy's output than ever before. Representatives David McIntosh (R-IN), Gerald Weller (R-IL), and Pat Danner (D-MO) are sponsoring legislation in the House based on the principles outlined in Option #1. Kay Bailey Hutchison (R-TX) has introduced similar legislation (S. 12) in the Senate.

### The "Marriage Bonus"

Some critics argue that the marriage penalty is not a serious issue because the number of couples receiving marriage bonuses is larger than the number experiencing penalties. Their complaint is based on the fact that the higher standard deduction for joint tax returns already results in some married couples' paying less in taxes than single taxpayers with the same level of income. Critics therefore argue that solving the marriage penalty, especially by increasing the standard deduction, would create more of a bias against single workers.

But the standard deduction is not a policy designed to promote marriage or explicitly provide relief to married couples. Instead, this "zero-bracket" amount (income shielded from tax) is best understood as a minimum amount of tax-free income that filers can use to cover basic expenses before any income tax is assessed. This deduction should be—at least in a world in which no

5. Congressional Budget Office, "For Better or for Worse."

marriage penalties existed—twice as large for married couples because there are two people involved. Likewise, each of two single people sharing a house would be able to take the individual deductions that would add up to the same amount a married couple deducted.

## CONCLUSION

Clearly, the marriage penalty is bad tax policy. It is an inadvertent but perverse form of social engineering that imposes higher taxes on the institution of marriage. Although there is some evidence to suggest that taxation does have an impact on marriage, divorce, and/or illegitimacy,<sup>6</sup> an even bigger problem may be the counterproductive message the marriage penalty sends to Americans. Moreover, because the marriage penalty has the

unambiguous effect of driving lower-earning spouses out of the workforce, there is a clear economic argument for its repeal.

A flat tax is the best way to repeal the marriage penalty. Short of such fundamental reform, however, lawmakers should adopt the approach that provides the largest degree of tax relief with the least amount of complexity. Adjusting tax brackets and standard deductions so that marriage does not cause a tax increase appears the best solution in the short term.

—Daniel J. Mitchell is McKenna Senior Fellow in Political Economy for The Thomas A. Roe Institute for Economic Policy Studies at The Heritage Foundation.

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6. Isaac Ehrlich and Jian-Gou Zhong, "Social Security and the Real Economy: An Inquiry into Some Neglected Issues," *American Economic Review*, May 1998, pp. 151–157.

S 284 IS Marriage Penalty Elimination Act of 1999 (Introduced in the Senate)

106th CONGRESS 1st Session

To amend the Internal Revenue Code of 1986 to eliminate the marriage penalty by increasing the standard deduction for married individuals filing joint returns to twice the standard deduction for unmarried individuals.

IN THE SENATE OF THE UNITED STATES

January 21, 1999

Mr. MCCAIN introduced the following bill; which was read twice and referred to the Committee on Finance

A BILL

To amend the Internal Revenue Code of 1986 to eliminate the marriage penalty by increasing the standard deduction for married individuals filing joint returns to twice the standard deduction for unmarried individuals.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. SHORT TITLE; AMENDMENT OF 1986 CODE.

(a) SHORT TITLE- This Act may be cited as the 'Marriage Penalty Elimination Act of 1999'.

(b) ELIMINATION OF 1986 CODE- Except as otherwise expressly provided, whenever in this Act an amendment or repeal is expressed in terms of an amendment to, or repeal of, a section or other provision, the reference shall be considered to be made to a section or other provision of the Internal Revenue Code of 1986.

SEC. 2. ELIMINATION OF MARRIAGE PENALTY IN STANDARD DEDUCTION.

(a) IN GENERAL- Section 63(c) (relating to standard deduction) is amended by adding at the end the following new paragraph:

(7) ELIMINATION OF MARRIAGE PENALTY FOR JOINT FILERS-

(A) IN GENERAL- In the case of a joint return or a surviving spouse (as defined in section 2(a)), the basic standard deduction under paragraph (2)(A) shall be increased by an amount equal to the applicable percentage of the excess of--

(i) 200 percent of the basic standard deduction in effect for the taxable year under paragraph (2)(C); over

(ii) the basic standard deduction in effect for the taxable year under paragraph (2)(A) (without regard to this paragraph).

(B) APPLICABLE PERCENTAGE- For purposes of subparagraph (A), the applicable percentage shall be determined as follows:

(over)

'For taxable years beginning in calendar year:

The applicable percentage is:

1999	20
2000	40
2001	60
2002	80
2003 and thereafter	100.'

(b) CONFORMING AMENDMENT- Section 63(c)(2)(A) is amended by inserting 'except as provided in paragraph (7),' before '\$5,000'.

(c) EFFECTIVE DATE- The amendments made by this section shall apply to taxable years beginning after December 31, 1998.

S 284 IS Marriage Penalty Elimination Act of 1999 (Introduced in the Senate)

106th CONGRESS 1st Session

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(c) EFFECTIVE DATE- The amendments made by this section shall apply to taxable years beginning after December 31, 1998.

# Bill targets marriage tax penalty

By CURT ANDERSON  
The Associated Press

WASHINGTON — Most Americans have never heard of Vivien Kellems. But if they are married and each spouse earns roughly the same salary, they should keep her in mind while filling out their income tax returns.

Kellems, who died in 1975, was a prominent Connecticut businesswoman who successfully lobbied Congress in 1969 to change the tax code so it would not discriminate against unmarried adults. Single people had been at a tax disadvantage to married couples since 1948.

But when one group gains from tinkering with the progressive tax code, another loses. Such is the case with the "marriage penalty" now affecting 21 million couples who pay an average of \$1,400 more than if they had not tied the knot.

Congress is weighing at least one proposal to help some married couples, hoping to tap the budget surplus to cover the reduced revenue.

## The disparity

Say an unmarried couple makes \$63,000 a year, \$31,500 each. Each gets a standard deduction and personal exemption. Result: Each pays \$3,682 in tax, or \$7,364 combined. But if they marry, they get only \$12,500 for the personal exemption and standard deduction, owing \$8,635 in tax — a penalty of \$1,271.

Kellems, of East Haddam, Conn., was a manufacturer of cable grips who founded War Widows of America with actress Gloria Swanson and campaigned against unfair tax treatment for single women.

She noted millions of women in her generation were unmarried because of a post-World War II shortage of potential husbands.

"What do you do if you can't get a husband? Should you be taxed for that?" she testified before a congressional committee, according to "The Decline (and Fall?) of the Income Tax" by Yale University law professor Michael Graetz.

Decades later, Congress is wrestling with the opposite problem: The entry of millions of women into the work force is exacerbating the marriage penalty in the tax code.

"Today the only form one can file to avoid the marriage tax penalty is paperwork for divorce," said Rep. Jerry Weller, R-Ill., sponsor of a bill with 230 co-sponsors aimed at eliminating the disparity.

Please see Back Page, TAX

## TAX: Bill aims to eliminate penalty for married couples

Continued from Page A-1

The penalty is caused by America's progressive tax system, which taxes income at different rates based on how much someone earns and whether a taxpayer is single or married.

Without a flat tax rate equal for all taxpayers, it is impossible to end all inequities in the code.

"The government cannot attain marriage neutrality," the Congressional Budget Office concluded in a recent study.

Spouses who earn similar amounts are the most affected by the disparity. In contrast, households where one spouse brings home significantly more — again, subject to different tax rates — gain a marriage "bonus" averaging about \$1,300.

Graetz argues that this winds up punishing people who decide to marry,

unless they fit what he calls the "Ozzie and Harriett" model, in which one spouse stays home and the other works.

Republicans in Congress have made fixing the marriage penalty one of their top tax priorities, and many Democrats embrace the change.

Budget resolutions passed last month by the House and Senate put the penalty at the top of the list for some \$800 billion in tax cuts the GOP wants over the next decade, using some of the budget surplus.

But whether the change is made this year depends on the outcome of the battle between President Clinton and the GOP-led Congress over the \$1.6 trillion surplus.

Both say 62 percent of that should be set aside for Social Security, but Clinton wants the rest used for Medicare, new retirement accounts and more spending

instead of the tax relief sought by Republicans.

Weller's bill — which counts a dozen Democrats among its sponsors — would get at the marriage penalty two ways:

- Increase the 15 percent income tax bracket for married couples from \$41,200 to \$49,300 — or twice the \$24,650 bracket for single people. That would give married couples an additional \$8,100 subject to the lower 15 percent rate instead of the 28 percent rate.

- Increase the standard deduction for married couples from \$6,900 to \$8,300, twice the amount now enjoyed by singles.

The change would cost the government an estimated \$144 billion over five years.

It also would continue one tax inequality by increasing the "bonus" paid to married couples with one main breadwinner.

FISCAL NOTE

STATE OF ALASKA  
1999 LEGISLATIVE SESSION

BILL NO. HJR 20

Revision Date: \_\_\_\_\_

Dept. Affected \_\_\_\_\_

Title: Uraining Congress to amend ERS code

BRU \_\_\_\_\_

of 1986 to eliminate marriage penalty...

Component \_\_\_\_\_

Sponsor: Phillips

Component Serial No. \_\_\_\_\_

Requester: \_\_\_\_\_

Expenditures/Revenues

(Thousands of Dollars)

OPERATING EXPENDITURES	FY 00	FY 01	FY 02	FY 03	FY 04	FY 05
Personal Services	0.0	0.0	0.0	0.0	0.0	0.0
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
<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>

CAPITAL EXPENDITURES						
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CHANGE IN REVENUES [ ]						
------------------------	--	--	--	--	--	--

FUND SOURCE

(Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
1091 Designated Program Receipts						
<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>

Estimate of any current year (FY98) cost: \_\_\_\_\_

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

Prepared by \_\_\_\_\_

*Scott Phillips, Chairman*

Phone \_\_\_\_\_

Phone 465-2689

Date \_\_\_\_\_

**HJR**

**25**

HFIN

FILE

# HOUSE COMMITTEE REPORT

(11)

Date Referred to Committee: March 24, 1999

FURTHER REFERRALS:

Date of Committee Action: 4/20/99

The FINANCE Committee considered:

HJR 25

HOUSE JOINT RESOLUTION NO. 25

CONST. AM: FISH & WILDLIFE INITIATIVES

Proposing an amendment to the Constitution of the State of Alaska relating to a petition for an initiative or referendum regarding fish or wildlife.

recommends it be replaced with the following committee substitute AS HJR 25 (JUD)  the same title  a new title

additional referral to \_\_\_\_\_ Committee  
 attached amendment(s)

ADOPTS: \_\_\_\_\_ Letter of Intent

ATTACHES NEW FISCAL NOTE(s): (Dept) \_\_\_\_\_

APPROVES PREVIOUS: (Dept/Date) \_\_\_\_\_

fiscal note(s) \_\_\_\_\_

fiscal note(s) Dept of Gov 3/16/99

zero fiscal note(s) \_\_\_\_\_

zero fiscal note(s) \_\_\_\_\_

SIGNING WITH RECOMMENDATIONS		DP	DNP	NR	AM
<i>Therianit</i>	Therianit			X	
<i>Mulder</i>	Mulder				✓
<i>Bundt</i>	Bundt			✓	
<i>Kuhring</i>	Kuhring	X			
<i>Austerman</i>	Austerman			X	
<i>J. Davis</i>	J. Davis		X		
<i>Grassmick</i>	Grassmick		X		
<i>J. Davis</i>	J. Davis			X	
<i>Williams</i>	Williams			X	
<i>Fisher</i>	Fisher	X			

CHAIR'S SIGNATURE \_\_\_\_\_

*Therianit*

*Mulder*

*Mulder*

# FISCAL NOTE

**STATE OF ALASKA**  
**1999 LEGISLATIVE SESSION**

**BILL NO. CS HJR 25(JUD)**

Revision Date/Time (Note if correction) \_\_\_\_\_ Dept. Affected Office of the Governor  
 Title Constitutional Amendment relating to BRU Elective Operations  
 initiative or referendum regarding fish or wildlife Component General and Primary  
 Sponsor Representative Ogan  
 Requester House Judiciary Committee Component Serial No. 22

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

Note: Amounts do not include inflation unless otherwise noted below.

OPERATING EXPENDITURES	FY 2000	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005
Personal Services						
Travel						
Contractual	1.5					
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
<b>TOTAL OPERATING</b>	<b>1.5</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

<b>CAPITAL EXPENDITURES</b>						
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<b>CHANGE IN REVENUES ( )</b>						
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**FUND SOURCE (Thousands of Dollars)**

1002 Federal Receipts						
1003 GF Match						
1004 GF	1.5					
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type)						
<b>TOTAL</b>	<b>1.5</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

Estimate of any current year (FY99) cost: \_\_\_\_\_

**POSITIONS**

Full-time						
Part-time						
Temporary						

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

This figure includes the cost of providing information about this issue in the Official Election Pamphlet, as required by AS 15.58. However, only six measures can be printed on an 8-1/2 by 14 inch ballot. If this measure requires printing an 8-1/2 by 18 inch ballot, the cost will increase by \$22.0.

Prepared by Gail Fenumiai  
 Division Division of Elections  
 Approved by Lt. Governor Fran Ulmer  
 Agency Office of the Lieutenant Governor

Phone 465-3935  
 Date/Time 3/24/99 9:46 AM  
 Date 3/24/99

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# FISCAL NOTE

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Testimony of the Alaska Outdoor Council  
Relating to ballot initiatives, House Finance Committee

By Dick Bishop, Vice-President  
4/24/99

Mr. Chairman, committee members, I am Dick Bishop, Vice-President of the Alaska Outdoor Council, on whose behalf I'm testifying.

The Council, at its statewide meeting discussed the issue of ballot initiatives, and voted to support the approach now embodied in CSHJR 25 (Jud).

We have observed and experienced the growing national trend to use the initiative process to influence fish and wildlife management and use.

In virtually all cases, these initiatives have advocated simple actions that affect complex issues. The approach is usually highly emotional, and show little regard for sound conservation, scientific management, or the values of others.

As we have seen 2 years ago and again this past year, there is no law requiring truth in advertising on these initiatives. Initiatives become a battleground of 30-second sound bites. Whoever can buy the most bites is very likely to win - regardless of the proposal's quality.

Compare that scene to Alaska's structure for developing and implementing management policies and regulations. Under an outstanding Constitution and with Legislatively delegated authority, the Boards of Fisheries and Game and about 80 advisory committees sort through hundreds of proposals annually, aided by professional staff and the Departments of Fish & Game, Law, and Public Safety. Anyone, and everyone, is entitled to offer their advice on management and regulations.

The Boards hold those proposals up to public and professional scrutiny before deciding on what to approve and what to reject.

There is no more open or demanding process for determining the best course of action with regard to conservation and meeting people's needs that I am aware of based on my nearly 40 years experience in the wildlife field.

The initiative process, unfortunately, bypasses that entire considered, careful process. It short circuits thoughtful public involvement.

There are about 300,000 anglers, 100,000 hunters, and 10,000 trappers, plus a host of commercial fishermen and subsistence fishermen who depend upon the State system to assure that fish and wildlife will be managed on the sustained yield principle, and that their values, which are tied to consumptive uses of these renewable resources, are accommodated and respected.

The initiative process extends no such consideration to these uses, values, or conservation standards. In fact, it subverts them. We should not manage fish and game by 30-second sound bites.

The Alaska Outdoor Council urges your passage of C<sup>S</sup>HJR 25. We do not believe that the constraints on the initiative process offered by the alternative resolutions, which have their merits, are up to the job of ensuring an effective means of conserving Alaska's fish and wildlife, and protecting fishing, hunting and trapping values.

Thank you.

## Election Day 1998

### Initiative Results



#### 1998 Ballot Initiative Results

The election brought some resounding initiative victories for animals and, alas, some sad defeats. **California:** In an enormous victory for horses, California voters successfully passed a measure which outlaws the sale or transport of California horses for the purpose of slaughter for human consumption. The Save the Horses initiative was a ground-breaking effort that many are calling the beginning of the end for the multi-million dollar U.S. horse slaughter industry. Friends of Animals is already working with another animal protection group to launch a similar initiative in another key state to protect horses from slaughter.

The passage of the California trapping initiative, although a seeming victory for the animals, may actually represent a step backward. In a misguided effort to defuse opposition, its sponsors added so many exemptions to the initiative that it will not only permit cruelty to continue but may actually encourage more abuse of so-called nuisance wildlife by showing trappers a way to circumvent humane concerns. The initiative allows trappers to continue to use snares and Conibear traps, which in California account for about 2/3 of all trapping.

**Alaska:** Unfortunately, in Alaska, the initiative to ban the snaring of wolves was defeated. Opponents of the initiative waged a totally disingenuous campaign which, according to Dr. Gordon Haber, "hid behind the skirts of Native culture." Opponents raised bogus race and human rights issues, even misleading Natives into believing they would no longer be allowed to wear their ceremonial robes. The Ballot Initiative Coalition, a group of hunting/trapping organizations under the NRA umbrella, waged a disinformation campaign that played on the fears and paranoia of Alaskans. On October 30th, an NRA-funded computer phoned every household in Alaska, warning that the passage of the wolf initiative would bring bands of animal rights extremists to the state to take away their guns! Despite such well-funded opposition, the initiative made a good showing and educated thousands of people. FoA remains unbowed in our determination to help pass such an initiative in Alaska. It will return to the ballot in the future...and next time it will win.

**Ohio, Utah, and Minnesota:** The animals lost in three states. In Ohio, an initiative to prevent mourning doves hunts lost in a 60%-40% vote. The animals also lost in Utah where a ballot referendum passed which requires a two-thirds majority of voters to approve any wildlife protection measure. And in Minnesota, the voters rallied around a measure which identifies hunting as a Constitutional right that shall be "forever preserved."

**Missouri and Arizona:** The animals won big, though, in Missouri and Arizona. Initiatives in both states to ban cockfighting passed by resounding majorities. These initiatives make it a crime to fit roosters with sharp metal spurs and force them to fight in a public ring until one of them is dead. The passage of these measures leaves only three states in the U.S. where cockfighting is legal. The results of this year's initiatives show that the referendum process is a unique and marvelous tool for combatting the vested interests which stall animal protection legislation. We've had some wonderful victories. Now is the time to roll up our sleeves and start planning for the next election.

*Compliments of Rep. Ogan*



## REPRESENTATIVE SCOTT OGAN

Alaska State Legislature

House District 27 • Palmer • Greater Palmer • Sutton • Chickaloon • Sheep Mountain

*REVISED*

### SPONSOR STATEMENT

#### House Joint Resolution 25

*"Proposing an amendment to the Constitution of the State of Alaska prohibiting initiatives providing for the utilization, development, or conservation of fish or wildlife."*

HJR 25 bars fish or wildlife issues from the initiative process.

The Constitution of the State of Alaska (Article VIII, section 2) clearly states the Legislature is the authoritative body to manage fish and game. The Legislature can, however, delegate that authority to a board. The Boards of Game and Fisheries were created as an extension of this management body.

There is no constitutional restriction on the ability of the Alaska Legislature to propose an amendment to the Alaska Constitution that would alter, restrict, or even prohibit the use of the initiative by the people to enact laws relating to fish and game.

Too often the initiative process is used to advance an emotional agenda which does not contain rational or scientific principles. Resource management must be backed up by sound, logical, scientific findings. HJR 25 will strengthen the Legislature's constitutional authority to manage fish and wildlife.

## ARTICLE VII. HEALTH, EDUCATION AND WELFARE.

**SECTION 1. PUBLIC EDUCATION.** The legislature shall by general law establish and maintain a system of public schools open to all children of the State, and may provide for other public educational institutions. Schools and institutions so established shall be free from sectarian control. No money shall be paid from public funds for the direct benefit of any religious or other private educational institution.

**SECTION 2. STATE UNIVERSITY.** The University of Alaska is hereby established as the state university and constituted a body corporate. It shall have title to all real and personal property now or hereafter set aside for or conveyed to it. Its property shall be administered and disposed of according to law.

**SECTION 3. BOARD OF REGENTS OF UNIVERSITY.** The University of Alaska shall be governed by a board of regents. The regents shall be appointed by the governor, subject to confirmation by a majority of the members of the legislature in joint session. The board shall, in accordance with law, formulate policy and appoint the president of the university. He shall be the executive officer of the board.

**SECTION 4. PUBLIC HEALTH.** The legislature shall provide for the promotion and protection of public health.

**SECTION 5. PUBLIC WELFARE.** The legislature shall provide for public welfare.

## ARTICLE VIII. NATURAL RESOURCES.

**SECTION 1. STATEMENT OF POLICY.** It is the policy of the State to encourage the settlement of its land and the development of its re-

sources by making them available for maximum use consistent with the public interest.

**SECTION 2. GENERAL AUTHORITY.** The legislature shall provide for the utilization, development, and conservation of all natural resources belonging to the State, including land and waters, for the maximum benefit of its people.

**SECTION 3. COMMON USE.** Wherever occurring in their natural state, fish, wildlife, and waters are reserved to the people for common use.

**SECTION 4. SUSTAINED YIELD.** Fish, forests, wildlife, grasslands, and all other replenishable resources belonging to the State shall be utilized, developed, and maintained on the sustained yield principle, subject to preferences among beneficial uses.

**SECTION 5. FACILITIES AND IMPROVEMENTS.** The legislature may provide for facilities, improvements, and services to assure greater utilization, development, reclamation, and settlement of lands, and to assure better utilization and development of the fisheries, wildlife, and waters.

**SECTION 6. STATE PUBLIC DOMAIN.** Lands and interests therein, including submerged and tidal lands, possessed or acquired by the State, and not used or intended exclusively for governmental purposes, constitute the state public domain. The legislature shall provide for the selection of lands granted to the State by the United States, and for the administration of the state public domain.

**SECTION 7. SPECIAL PURPOSE SITES.** The legislature may provide for the acquisition of sites, objects, and areas of natural beauty or of historic, cultural, recreational, or scientific value. It may reserve them from the public domain and provide for their administration and preservation for the use, enjoyment, and welfare of the people.

**SECTION 8. LEASES.** The legislature may provide for the leasing of, and the issuance of permits for exploration of, any part of the public domain or interest therein, subject to reasonable concurrent uses. Leases and permits shall provide, among other conditions, for payment by the party at fault for damage or injury arising from noncompliance with terms governing concurrent use, and for forfeiture in the event of breach of conditions.

**SECTION 9. SALES AND GRANTS.** Subject to the provisions of this section, the legislature may provide for the sale or grant of state lands, or interests therein, and establish sales procedures. All sales or grants shall contain such reservations to the State of all resources as may be required by Congress or the State and shall provide for access to these resources. Reservation of access shall not unnecessarily impair the owners' use, prevent the control of trespass, or preclude compensation for damages.

**SECTION 10. PUBLIC NOTICE.** No disposals or leases of state lands, or interests therein, shall be made without prior public notice and other safeguards of the public interest as may be prescribed by law.

**SECTION 11. MINERAL RIGHTS.** Discovery and appropriation shall be the basis for establishing a right in those minerals reserved to the State which, upon the date of ratification of this constitution by the people of Alaska, were subject to location under the federal mining laws. Prior discovery, location, and filing, as prescribed by law, shall establish a prior right to these minerals and also a prior right to permits, leases, and transferable licenses for their extraction. Continuation of these rights shall depend upon the performance of annual labor, or the payment of fees, rents, or royalties, or upon other requirements as may be prescribed by law. Surface uses of land by a mineral claimant shall be limited to those necessary for the extraction or basic processing of the mineral deposits, or for both. Discovery and appropriation shall initiate a right,

subject to further requirements of law, to patent of mineral lands if authorized by the State and not prohibited by Congress. The provisions of this section shall apply to all other minerals reserved to the State which by law are declared subject to appropriation.

**SECTION 12. MINERAL LEASES AND PERMITS.** The legislature shall provide for the issuance, types and terms of leases for coal, oil, gas, oil shale, sodium, phosphate, potash, sulfur, pumice, and other minerals as may be prescribed by law. Leases and permits giving the exclusive right of exploration for these minerals for specific periods and areas, subject to reasonable concurrent exploration as to different classes of minerals, may be authorized by law. Like leases and permits giving the exclusive right of prospecting by geophysical, geochemical, and similar methods for all minerals may also be authorized by law.

**SECTION 13. WATER RIGHTS.** All surface and subsurface waters reserved to the people for common use, except mineral and medicinal waters, are subject to appropriation. Priority of appropriation shall give prior right. Except for public water supply, an appropriation of water shall be limited to stated purposes and subject to preferences among beneficial uses, concurrent or otherwise, as prescribed by law, and to the general reservation of fish and wildlife.

**SECTION 14. ACCESS TO NAVIGABLE WATERS.** Free access to the navigable or public waters of the State, as defined by the legislature, shall not be denied any citizen of the United States or resident of the State, except that the legislature may by general law regulate and limit such access for other beneficial uses or public purposes.

**SECTION 15. NO EXCLUSIVE RIGHT OF FISHERY.** No exclusive right or special privilege of fishery shall be created or authorized in the natural waters of the State. This section does not restrict the power of the State to limit entry

government information, and perform other duties prescribed by law.

**SECTION 15. SPECIAL SERVICE DISTRICTS.** Special service districts existing at the time a borough is organized shall be integrated with the government of the borough as provided by law.

## **ARTICLE XI. INITIATIVE, REFERENDUM, AND RECALL.**

**SECTION 1. INITIATIVE AND REFERENDUM.** The people may propose and enact laws by the initiative, and approve or reject acts of the legislature by the referendum.

**SECTION 2. APPLICATION.** An initiative or referendum is proposed by an application containing the bill to be initiated or the act to be referred. The application shall be signed by not less than one hundred qualified voters as sponsors, and shall be filed with the lieutenant governor. If he finds it in proper form he shall so certify. Denial of certification shall be subject to judicial review.

**SECTION 3. PETITION.** After certification of the application, a petition containing a summary of the subject matter shall be prepared by the lieutenant governor for circulation by the sponsors. If signed by qualified voters, equal in number to ten per cent of those who voted in the preceding general election and resident in at least two-thirds of the house districts of the State, it may be filed with the lieutenant governor.

**SECTION 4. INITIATIVE ELECTION.** An initiative petition may be filed at any time. The lieutenant governor shall prepare a ballot title and proposition summarizing the proposed law, and shall place them on the ballot for the first statewide election held more than one hundred-twenty days after adjournment of the legislative session following the filing. If, before the elec-

tion, substantially the same measure has been enacted, the petition is void.

**SECTION 5. REFERENDUM ELECTION.** A referendum petition may be filed only within ninety days after adjournment of the legislative session at which the act was passed. The lieutenant governor shall prepare a ballot title and proposition summarizing the act and shall place them on the ballot for the first statewide election held more than one hundred-eighty days after adjournment of that session.

**SECTION 6. ENACTMENT.** If a majority of the votes cast on the proposition favor its adoption, the initiated measure is enacted. If a majority of the votes cast on the proposition favor the rejection of an act referred, it is rejected. The lieutenant governor shall certify the election returns. An initiated law becomes effective ninety days after certification, is not subject to veto, and may not be repealed by the legislature within two years of its effective date. It may be amended at any time. An act rejected by referendum is void thirty days after certification. Additional procedures for the initiative and referendum may be prescribed by law.

**SECTION 7. RESTRICTIONS.** The initiative shall not be used to dedicate revenues, make or repeal appropriations, create courts, define the jurisdiction of courts or prescribe their rules, or enact local or special legislation. The referendum shall not be applied to dedications of revenue, to appropriations, to local or special legislation, or to laws necessary for the immediate preservation of the public peace, health, or safety.

**SECTION 8. RECALL.** All elected public officials in the State, except judicial officers, are subject to recall by the voters of the State or political subdivision from which elected. Procedures and grounds for recall shall be prescribed by the legislature.

## **ARTICLE XII. GENERAL PROVISIONS.**

**SECTION 1. STATE BOUNDARIES.** The State of Alaska shall consist of all the territory, together with the territorial waters appurtenant thereto, included in the Territory of Alaska upon the date of ratification of this constitution by the people of Alaska.

**SECTION 2. INTERGOVERNMENTAL RELATIONS.** The State and its political subdivisions may cooperate with the United States and its territories, and with other states and their political subdivisions on matters of common interest. The respective legislative bodies may make appropriations for this purpose.

**SECTION 3. OFFICE OF PROFIT.** Service in the armed forces of the United States or of the State is not an office or position of profit as the term is used in this constitution.

**SECTION 4. DISQUALIFICATION FOR DISLOYALTY.** No person who advocates, or who aids or belongs to any party or organization or association which advocates, the overthrow by force or violence of the government of the United States or of the State shall be qualified to hold any public office of trust or profit under this constitution.

**SECTION 5. OATH OF OFFICE.** All public officers, before entering upon the duties of their offices, shall take and subscribe to the following oath or affirmation: "I do solemnly swear (or affirm) that I will support and defend the Constitution of the United States and the Constitution of the State of Alaska, and that I will faithfully discharge my duties as . . . . . to the best of my ability." The legislature may prescribe further oaths or affirmations.

**SECTION 6. MERIT SYSTEM.** The legislature shall establish a system under which the merit principle will govern the employment of persons by the State.

**SECTION 7. RETIREMENT SYSTEMS.** Membership in employee retirement systems of the State or its political subdivisions shall constitute a contractual relationship. Accrued benefits of these systems shall not be diminished or impaired.

**SECTION 8. RESIDUAL POWER.** The enumeration of specified powers in this constitution shall not be construed as limiting the powers of the State.

**SECTION 9. PROVISIONS SELF-EXECUTING.** The provisions of this constitution shall be construed to be self-executing whenever possible.

**SECTION 10. INTERPRETATION.** Titles and subtitles shall not be used in construing this constitution. Personal pronouns used in this constitution shall be construed as including either sex.

**SECTION 11. LAW-MAKING POWER.** As used in this constitution, the terms "by law" and "by the legislature," or variations of these terms, are used interchangeably when related to law-making powers. Unless clearly inapplicable, the law-making powers assigned to the legislature may be exercised by the people through the initiative, subject to the limitations of Article XI.

**SECTION 12. DISCLAIMER AND AGREEMENT.** The State of Alaska and its people forever disclaim all right and title in or to any property belonging to the United States or subject to its disposition, and not granted or confirmed to the State or its political subdivisions, by or under the act admitting Alaska to the Union. The State and its people further disclaim all right or title in or to any property, including fishing rights, the right or title to which may be held by or for any Indian, Eskimo, or Aleut, or community thereof, as that right or title is defined in the act of admission. The State and its people agree that, unless otherwise provided by Congress, the property, as described in this section, shall re-

Fairbanks

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By Dick Bishop, Vice-President  
4/24/99

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# Whims should not subvert wildlife managers

By ROD ARNO

Having both a ballot initiative and a board's process to make laws regarding fish and wildlife management thwarts professional management of natural resources. Voters should be given the chance to choose between a constitutionally mandated game-management process or to decide to manage according to the whims of the majority of the moment.

Alaska's fish and game boards, with their local advisory committees, are one of the most open to the public, thus democratic, systems for fish and wildlife management ever put into law. It's easily understood why the framers of our constitution were so committed to giving the people of Alaska a say in natural resource management. Look at the history of natural resource extraction of Alaska prior to statehood: Northern fur seals were hunted down to only 10 percent of their original num-



bers by 1911.

By the 1930s a commercial fishing boom had decimated Alaska's salmon stocks. Banning fish traps (90 percent owned by Outside packing firms) was one of the main issues supporting a yes vote for statehood during the late 1950s.

Public testimony given before board members allows a large spectrum of Alaska's voting populations the opportunity to influence fish and wildlife decision. The ballot initiative process does not allow for a meaningful exchange of ideas; it's decisive — it's either a yes or no vote.

Public proceedings before boards responsible for fish and game laws are codified in the Administrative Procedure Act Section 44.62.210. The Board of Fisheries listened to a week of testimony

*Public testimony given before board members allows a large spectrum of Alaska's voting populations the opportunity to influence fish and wildlife decision.*

last February in Soldotna. The Board of Game meeting last week in Anchorage took days of public testimony, plus evening issue meetings on specific proposals. Public participation is only limited for those who don't show or don't send written comments.

At these board meetings I watched mothers hold up their children to board members and cry, "Don't take away their way of life." I heard lodge owners, fishing guides, big game outfitters and commercial fishermen advocate for their financial well-being.

A majority of urban and rural residents made it clear from their public testimony that they wanted a greater

opportunity for personal use of a publicly owned replenishable resource. Those who honored an existence value for fish and wildlife advocated for exclusion of human consumptive uses. Most drew the line in favor of the habitat and conservation of biodiversity.

Board members have the advantage of a staff of professional fish and wildlife managers, plus the legal expertise from the attorney general's office to assist them in making management decisions for the maximum benefit of the people. Data is gathered on wildlife populations, habitat conditions and Alaskan voters' preferential uses for these natural re-

sources. Management decisions, consistent with the constitution, are determined by far more information than can be assimilated in a 30-second media sound bite.

A restriction on the use of the ballot initiative regarding fish and game management does not infringe on the public process. Alaska voters retain their say in fish and wildlife management decisions by electing a governor who appoints board members. Publicly elected legislators must confirm all board appointments. Local fish and game advisory committees are elected at open public meetings. Clearly the checks and balances of a representative government remain intact.

The moose populations living in Game Management Unit 13 are in trouble. The Nelchina caribou herd may suffer the same fate. Predators, both bear and wolf, are killing most of the newborn calves each year. Recruit-

ment of new cows isn't happening. Traditional hunting methods won't reduce predator numbers fast enough to allow new calves to replace old cows. Yet the Board of Game is limited in its efforts to implement a wolf control program to save the moose herd. It's limited because of a ballot measure that makes effective predator control illegal.

Same-day-airborne hunting had been banned by the Board of Game five years prior to the ballot initiative banning SDA hunting of wolf. Predator control and SDA wolf hunting are two different actions.

As long as well-financed sociologists are allowed to subvert fish and game management decisions through the initiative process, there is little incentive for public participation at the board process level.

— Rod Arno is the president of Alaska Outdoor Council.

**Valdez lessons unheeded**

difference, why doesn't he try to legislate alcohol as a drug? Alcohol has caused

*Compliments of  
Rep. Scott Ogan  
House District 27*

**HJR**

**52**

**HFIN**

**FILE**

(11)

# HOUSE COMMITTEE REPORT

Date Referred to Committee: March 3, 2000

FURTHER REFERRALS:

Date of Committee Action: \_\_\_\_\_

The FINANCE Committee considered:

HJR 52

HOUSE JOINT RESOLUTION NO. 52

CONFIRM PUBLIC CORP BD MANAGING ASSETS

Proposing an amendment to the Constitution of the State of Alaska relating to certain public corporations.

recommends it be replaced with the following committee substitute CS HJR 52 (Sub

the same title  
 a new title

additional referral to \_\_\_\_\_ Committee  
 attached amendment(s)

ADOPTS: \_\_\_\_\_ Letter of Intent

ATTACHES NEW FISCAL NOTE(S): (Dept) \_\_\_\_\_

APPROVES PREVIOUS: (Dept/Date) \_\_\_\_\_

fiscal note(s) \_\_\_\_\_

fiscal note(s) gov - 2 - 18 - 00

zero fiscal note(s) \_\_\_\_\_

zero fiscal note(s) \_\_\_\_\_

SIGNING WITH RECOMMENDATIONS	DP	DNP	NR	AM
<i>Con Therriault</i>	X			
<i>Alan Hilde</i>	X			
<i>Don Bunde</i>	✓			
<i>John G. ...</i>			X	
<i>John ...</i>		X		
<i>Bob ...</i>		X		
<i>Said ...</i>		✓		
<i>... ..</i>			X	
<i>... ..</i>			X	
<i>... ..</i>	X			
<i>... ..</i>			X	

CI'S SIGNATURE *Con Therriault Alan Hilde*

# FISCAL NOTE

Bill Version: HJR 52  
 (H) Publish Date: 2/18/00

STATE OF ALASKA  
 2000 LEGISLATIVE SESSION

Revision Date/Time (Note if correction) \_\_\_\_\_ Dept. Affected Office of the Governor  
 Title Constitutional Amendment: Relating to BRU Elective Operations  
certain public corporations Component Elections  
 Sponsor Representative James  
 Requester House State Affairs Component No. 21

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

Note: Amounts do not include inflation unless otherwise noted below.

OPERATING EXPENDITURES	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006
Personal Services						
Travel						
Contractual	1.5					
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
<b>TOTAL OPERATING</b>	<b>1.5</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

CAPITAL EXPENDITURES						
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CHANGE IN REVENUES ( )						
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**FUND SOURCE** (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF	1.5					
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type)						
<b>TOTAL</b>	<b>1.5</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

Estimate of any current year (FY2000) cost: 0.0

**POSITIONS**

Full-time						
Part-time						
Temporary						

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

This figure includes the cost of providing information about this issue in the Official Election Pamphlet, as required by AS 15.58. However, only six measures can be printed on an 8-1/2 by 14 inch ballot. If this measure requires printing an 8-1/2 by 18 inch ballot, the cost will increase by \$22.0.

Prepared by: Gail Fenum *Gail Fenum* Phone 465-3935  
 Division Division of Elections Date/Time 2/10/00 2:56 PM  
 Approved by: Lt. Governor Fran Ulmer *Fran Ulmer* Date 02/10/2000  
 Agency Office of the Lieutenant Governor

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House of Representatives  
House District 34

## SPONSOR STATEMENT

HJR 52

Confirmation of Public Corporation Boards Managing State Assets

2/15/00

Alaska's Constitution currently provides for legislative confirmation of all boards or commissions which are the head of a principal department or a regulatory or quasi-judicial agency. An example would be the Department of Fish and Game.

Public corporations, which manage and control billions of dollars of state assets and have a tremendous impact on the economy of our state, are not included in this provision. Their members are not subject to legislative confirmation. An example is the Permanent Fund Corporation.

I believe these public corporation boards should also be required to undergo formal appointment and confirmation, thereby making the public and their elected representatives part of the process.

HJR 52 would amend Alaska's constitution to require this.