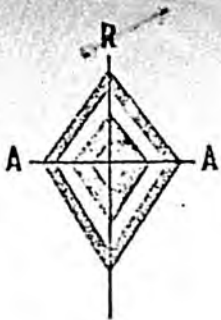


369 SCOMM10: LOCAL GOVERNMENT STUDY 1979



RESOURCE ASSOCIATES OF ALASKA, INC.

3230 AIRPORT WAY, FAIRBANKS, ALASKA 99701
TELEPHONE: (907) 479-6231 / 6097
TELEX: 090 35402

gas 82

January 5, 1976

Mr. Robert L. Doss, C.P.A.
Coopers & Lybrand
2207 Spenard Road
Anchorage, AK 99503

Dear Bob:

The enclosed copy from Western Miner, October 1975, indicates how our Canadian neighbors and other potential outside investors view the investment climate in Alaska.

How does it feel to live in a state that is characterized by a major foreign trade journal as "another banana republic", unsafe for capital investment because of political instability and the "ignorance and greed of most of its elected officials"?

It is becoming increasingly obvious that if the citizens of this state fail to deliver to their legislature the message of sensible government with common sense tax law and respect for private property and the right to use our land, we will have no economy up here except big oil and the dole. Is our legislature really bent on economic suicide through a policy of "spend and tax"?

Sincerely,


Jeff Knaebel

JK/dc

Encl: Western Miner

ALASKA:

land of mineral promise
faces barriers to progress

Many Canadian mineral-exploration interests turned to the Northern Territories and to Alaska when provincial legislation discouraged efforts in several traditionally attractive parts of Canada. Canadian exploration people have also been found in increasing numbers recently in the states to the south of the Canada-US border.

The greatly increased interest and activity in the Yukon and Northwest Territories has been widely publicized and discussed. Relatively less was known about what has been happening in Alaska, partly perhaps because it is United States territory, and the ground rules are new and different (though Canadian crews have accumulated experience of conditions in all parts of the world).

Reports from Alaska now indicate that, unless there is a considerable change of conditions in that state, we may hear even less in the future of Canadian (or perhaps any other) exploration activity up there.

The large fly in the ointment is Senate Bill 294, relating to the Alaska Mineral Severance Tax, introduced by recently-elected Governor Jay Hammond. It proposes what amounts to a royalty on production ('severing minerals from the state for commercial use'), ranging from 1% on value of severable minerals at point of severance in the range \$100,000 to \$200,000, and by increments up to \$10,000 plus 5% of the excess over \$500,000.

For a substantial mining operation (over \$500,000 value) the Bill would impose a royalty of 5% on gross value of mineral production without allowance for transportation costs to smelter or for smelter charges.

Governor Hammond seems to have been reading the thoughts (one hesitates to say 'reasoning') of those who advised the government of British Columbia to

impose the infamous mineral royalties. Experienced observers in Alaska foresee that the results of Bill 294 would be similar; enforced 'highgrading' and waste of potential mineral resources; rapid decline in exploration activity; mine closures; loss of jobs; loss of revenue to service and supply companies, and so on.

Applied against current returns shown in company annual reports, it is estimated that the 5% of gross sales will amount to 20-100% of net profits. For coal mined on state lands, a price increase of 20-30% would be passed on to the consumer, and the price of electricity in Fairbanks would rise a similar amount.

The cost of construction materials mined on state land would rise, and would be passed on to the consumer in higher prices for roads, housing, and other construction. However, the hard-rock mining industry cannot pass on the higher costs imposed by the royalty, since their product prices are fixed on the international markets. The hard-rock exploration industry has brought an estimated \$40-million of new capital into Alaska in 1975, but this would be unlikely to be repeated in the face of Bill 294. At least two major mining companies have indicated that they would close their Alaska operations if the controversial Bill passes.

Further adversities which are calculated to occur if the legislation is enforced, with the expected results, include a loss in sales of between \$6-million and \$15-million a year to Alaska air carriers, and a loss of sales to local merchants, supplies, and services of between \$12-million and \$25-million annually.

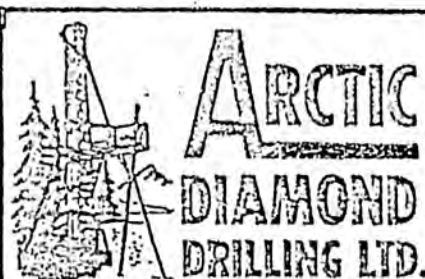
NWMA COMMENT

Earlier in 1975 the Northwest Mining Association, based in Spokane,

Washington, but including Alaska in its field of concern, commented on the introduction (in March 1975) of Bill 294 as 'an attempt to abort the infant Alaskan mining industry'.

The NWMA continued: 'Alaska Commissioner of Revenue, Sterling Gallagher's lack of insight with regard to the implications of the proposal is illustrated in his remarks quoted in the *Alaska Industry* April 1975. "We thought we'd do it now before the mineral industry really gets huge up there and we can't do it, quite frankly, because it becomes politically unfeasible at that point in time when it starts hurting someone." Given the imposition of the tax now, it can safely be said there won't be a mining industry in the State of Alaska'.

The NWMA notes further an indication of the sort of non-thinking on the part of politicians which has become so familiar to Canadians, particularly those in the Western provinces. Governor Jay Hammond has appointed eleven Alaskans to serve on the recently-formed Alaska Growth Policy Council. Apparently 'the doers of society are virtually excluded from participation on the council. There will be no direct representation from fisheries, petroleum, mining, timber and lumber, tourism, transportation, construction, real estate, or small business.'



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INDUSTRY VIEWS

Based on the realities of mineral exploration and development, it has been pointed out by observers that outside investors are likely to look on Alaska as yet another 'banana republic', unsafe for investment, if the legislation goes through. Similar legislation (a severance tax) is proposed in Colorado, and if one is passed then so will others since 'the domino mechanism will work because of the ignorance and greed of most of our elected officials'.

Attitudes towards government in the United States seem to parallel those prevalent in several parts of Canada, notably the socialist provinces. 'So long

as government policy is established in the interest of re-election rather than public benefit, there will be ever-increasing pressure to hide the real cost of creeping socialism and of government itself'.

Looking to the future one sees severance taxes imposed on mineral production; elimination of favourable treatment for capital gains; and taxes imposed on mineral reserves. Finally, voters will complain that private industry cannot meet their needs, and will demand socialization of the mining industry. This, the politicians will call 'nationalization' — a misnomer coined in Britain which 'equates socialization, as prac-

tised in Britain... with expropriation, as practised in South America (simply theft on a grand scale)'.

The mining and exploration industry, and associated interests among service and supply people, in Alaska, are apparently trying to educate government about the facts of life, including the realities of risk investment, the benefits to be obtained for the state from exploration and development activity, and how realistic tax policies can ensure a long-term return to the state by encouraging the source of mineral taxes to continue in business and expand.

While encouraging mineral development, it is proposed that government demand development of domestic industry through incentives that would require participation and employment of natives and of bona fide residents.

Alaska could attract high-risk investment capital in preference to Canada, Australia, and elsewhere because mineral investment is still safer in the USA than anywhere else in the world, if the state of Alaska acts now to protect its own best long-term interests. In the view of one experienced observer, 'if it acts like a gang of banana republic thieves, that capital will go elsewhere in the United States'. In the eastern states, exploration activity is increasing because mining is least vulnerable where it is surrounded by other industries and agriculture.

Mineral exploration in Alaska is already beset with very high costs, which have been inflated by the current pipeline building activity. This has caused high demand for men, materials, and services, and has unduly affected costs of almost everything.

No doubt there are many Canadians who are watching with interest the outcome of efforts to educate the government in Alaska, hopefully to encourage an active growth of mineral resource development in an area of great interest and potential.

TAX RECONSIDERED

The strong protests over Bill 294 caused Governor Hammond to withdraw the Alaska Mineral Severance Tax bill. He instructed Commissioner Gallagher to meet members of the mining industry to discuss problems raised by the proposed bill, and invited John Huber, chairman of the special committee on revenue and taxation of the Alaska State Senate, to take part in the hearings.

Originally scheduled for the summer, the meeting with the Governor's administration officials was moved to late October 1975, to allow time for research and greater participation by members of the industry after the field season. Research and presentation of material will be a joint effort by the Northwest Mining Association and the Alaska Miners Association.

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AV A NEONEX COMPANY

STATE OF ALASKA
THE LEGISLATURE

LEGISLATIVE AFFAIRS AGENCY

gaspl

POUCH Y - STATE CAPITOL
JUNEAU, ALASKA 99801

MEMORANDUM

December 19, 1975

SUBJECT: Recordings of Anchorage Meeting

TO: Eric Eckholm, Administrative Assistant
Joint Gas Pipeline Impact Committee

FROM: June Meacham *June*
Secretary to Gregg Erickson

In his memo of December 17 to you, Gregg Erickson mentioned that I would be transferring the meeting records from reel to reel tapes to cassettes. Unfortunately, according to our experts here, this is not possible to do with the equipment we have available in the Juneau office because of the extremely slow speed at which the tapes were recorded.

Also, the person setting up the recording equipment here had to cut away approximately six feet of tape from what I believe to be the first reel. It had been miswound on the reel and was ruined. Hope it wasn't crucial!

Gregg asked me to return the enclosed reels to you and ask you to take it from there.

jm

Enclosures (2 reels)



JUNEAU, ALASKA

Alaska State Legislature

Senate

March 19, 1976

Robert Kallenberg
Box 307
Chugiak, Alaska

Dear Mr. Kallenberg: *Bel*

You will be pleased to know that S.B. 685, the purpose of which is to assist in getting a Trans-Alaska gas pipeline, passed the Senate last week and the House yesterday.

I appreciate very much your interest of the bill which was authored by the Joint Gas Pipeline Impact Committee, which I chair.

I hope you will contact me again on any matter of particular interest or concern to you.

Sincerely,

John Rader
Senator John Rader
Alaska State Legislature

JLR/kb

TELEGRAM

ICA ALASKA COMM

PUR

1976 MAR 4 PM 10 29

02234 POM TDA CHUGIAK ALASKA 15 03-04 0615P AST

PMS SEN JOHN RADER

JUN

SUPPORT SB 685

ROBERT KALLENBERG BOX 307 CHUGIAK



JUNEAU, ALASKA

Alaska State Legislature

Senate

March 19, 1976

Pete Isleib, Vice-Chairman
CDFU
PO Box 939
Cordova, Alaska

Dear Mr. Isleib:

You will be pleased to know that S.B. 685, the purpose of which is to assist in getting a Trans-Alaska gas pipeline, passed the Senate last week and the House yesterday.

I appreciate very much your interest of the bill which was authored by the Joint Gas Pipeline Impact Committee, which I chair.

I hope you will contact me again on any matter of particular interest or concern to you.

Sincerely,

A handwritten signature in cursive script, appearing to read "John Rader".

Senator John Rader
Alaska State Legislature

JLR/kb

TELEGRAM

RCA ALASKA COMMUNICATIONS, INC.

PHONE: 586-6440

JUNEAU, ALASKA 99801

1976 MAR 5 PM 3 30

19003 POM CORDOVA ALASKA 15 03-05 1030A AST

PMS SEN JOHN RADER 465-3795

POUCH V 1685

JUN

URGING YOUR ASSISTANCE TO GET SB 685 ONTO THE SENATE FLOOR

PETE ISLEIB VICE CHAIRMAN CDFU PO BOX 939 CORDOVA

#



Alaska State Legislature
Senate

JUNEAU, ALASKA

March 19, 1976

Bette K. Aley
2905 Tanglewood
Anchorage, Alaska 99503

Dear Ms. Aley:

Betty

You will be pleased to know that S.B. 685, the purpose of which is to assist in getting a Trans-Alaska gas pipeline, passed the Senate last week and the House yesterday.

I appreciate very much your interest of the bill which was authored by the Joint Gas Pipeline Impact Committee, which I chair.

I hope you will contact me again on any matter of particular interest or concern to you.

Sincerely,

John Rader
Senator John Rader
Alaska State Legislature

JLR/kb

TELEGRAM

RCA ALASKA COMMUNICATIONS, INC.

PHONE: 586-6440

JUNEAU, ALASKA 99801

1976 MAR 4 PM 10 29

#

02236 PQM ANCHORAGE ALASKA 15 03-04 0611P AST

PMS SEN JOHN RADER

JUN

1534

URGE SUPPORT OF SB 685 MUST HAVE GAS PIPELINE THROUGH ALASKA

BETTE K ALEY 2905 TANGLEWOOD ANCHORAGE AK 99503



Alaska State Legislature
Senate

JUNEAU, ALASKA

March 19, 1976

Harry MacFadden
3800 Iowa Drive
Anchorage, Alaska 99503

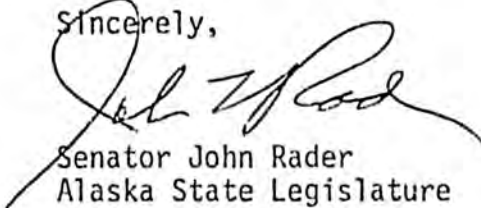
Dear Mr. MacFadden:

You will be pleased to know that S.B. 685, the purpose of which is to assist in getting a Trans-Alaska gas pipeline, passed the Senate last week and the House yesterday.

I appreciate very much your interest of the bill which was authored by the Joint Gas Pipeline Impact Committee, which I chair.

I hope you will contact me again on any matter of particular interest or concern to you.

Sincerely,



Senator John Rader
Alaska State Legislature

JLR/kb

TELEGRAM

RCA ALASKA COMMUNICATIONS, INC.

PHONE: 586-6440

JUNEAU, ALASKA 99801

#

1976 MAR 4 PM 10 47

02252 NL ANCHORAGE ALASKA 50 03-04 642P AST

PMS SENATOR JOHN RADER

JUN

1973
GET BILL NUMBER 685 OUT OF THE FINANCE COMMITTEE DEALING
WITH THE ALL ALASKA GAS PIPELINE INSTEAD OF RUNNING IT
INTO CANADA. THIS ALSO CONCERNS THE DELEGATES OF DISTRICT 9
PRECINCT 102

DISTRICT CHAIRMAN DISTRICT 9 HARRY MACFADDEN

3800 IOWA DR ANCHORAGE AK 99503



Alaska State Legislature
Senate

JUNEAU, ALASKA

March 19, 1976

Glenn Brigg
Box 517
Eagle River, Alaska

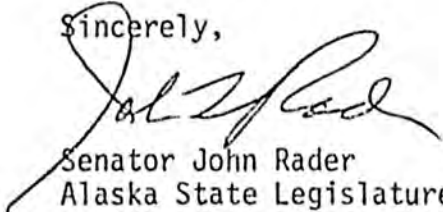
Dear Mr. Brigg:

You will be pleased to know that S.B. 685, the purpose of which is to assist in getting a Trans-Alaska gas pipeline, passed the Senate last week and the House yesterday.

I appreciate very much your interest of the bill which was authored by the Joint Gas Pipeline Impact Committee, which I chair.

I hope you will contact me again on any matter of particular interest or concern to you.

Sincerely,



Senator John Rader
Alaska State Legislature

JLR/kb

TELEGRAM

RCA ALASKA COMMUNICATIONS, INC.

PHONE: 586-6440

JUNEAU, ALASKA 99801

#

1976 MAR 5 PM 7 09

02089 NL TDA EAGLE RIVER ALASKA 50 03-05 0400P AST

PMS SEN JOHN RADER

JUN 1716

AS A MEMBER OF OMAR CONCERNED WITH POTENT

LOBBYING FOR TRANS-CANADIAN GAS LINE URGE EARLY FAVORABLE

ACTION ON SB685

GLENN BRIGG BOX 517



Alaska State Legislature
Senate

JUNEAU, ALASKA

March 19, 1976

Charles Leviege
National Bank of Alaska
Ft. Richardson, Alaska 99505

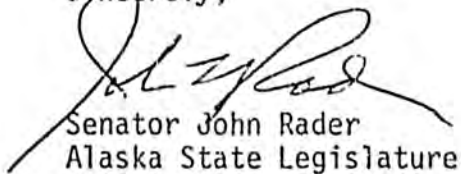
Dear Mr. Leviege:

You will be pleased to know that S.B. 685, the purpose of which is to assist in getting a Trans-Alaska gas pipeline, passed the Senate last week and the House yesterday.

I appreciate very much your interest of the bill which was authored by the Joint Gas Pipeline Impact Committee, which I chair.

I hope you will contact me again on any matter of particular interest or concern to you.

Sincerely,



Senator John Rader
Alaska State Legislature

JLR/kb

TELEGRAM

RCA ALASKA COMMUNICATIONS, INC.

PHONE: 583-3100

BUREAU ALASKA

1976 MAR 4 PM 10 29

02226 POM ANCHORAGE ALASKA 15 03-04 455P AST

PMS SENATOR JOHN RADER

JUN

1534

URGE IMMEDIATE SUPPORT OF SB 685 USE ROYALTY GAS TO GET
NATIONAL SUPPORT FOR ALASKA GAS LINE

CHARLES LEVIEGE NATIONAL BANK OF ALASKA

FT RICHARDSON AK 99505

BAKER & BOTTS

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ASSOCIATED OFFICES

PASEO DE LA REFORMA 76
MEXICO D. F. MEXICO

21 AVENUE GEORGE V. 5^e ETAGE
PARIS 8, FRANCE

January 9, 1976

Honorable John Rader, Chairman
Joint Gas Pipeline Impact Committee
P. O. Box 2068
Anchorage, Alaska 99501

Dear John:

I wish to express my appreciation for your hospitality during my visit earlier this week, and your generosity with your time in working on the report.

I began my redrafting on the plane on the way home, and I believe I can have the report to you in final form by January 15th or 16th.

Your help in bringing the report to a sharper focus was invaluable and I will look forward to working with you in the weeks that lie ahead.

Please give your family my best regards, and my thanks for the opportunity of visiting in your home. With best regards.

Very truly yours,



Rush Moody, Jr.

RM/sm

Enclosure

PS: I enclose a copy of the letter which I can write Gregg Erickson today to advise Gregg of a change in my law firm affiliation. I will not make a change until the final report is completed and on its way to you, and therefore I trust that my new association will not, in any way, hinder my effectiveness insofar as the Committee is concerned.

BAKER & BOTTS

1701 PENNSYLVANIA AVE., N. W.
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ASSOCIATED OFFICES

PASEO DE LA REFORMA 76
MEXICO 6, D. F. MEXICO

21 AVENUE GEORGE V 5^e ETAGE
PARIS 8, FRANCE

January 9, 1976

Mr. Gregg Erickson
Director of Research Services
Legislative Affairs Agency
State of Alaska
Pouch Y
Juneau, Alaska 99801

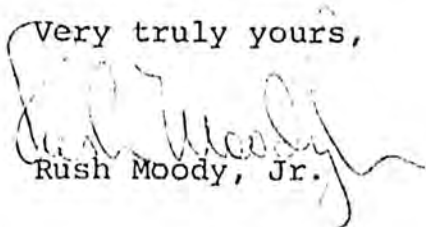
Dear Gregg:

I had an excellent visit with Senator Rader in Anchorage on January 7th, and as a result of this meeting I believe that I will have a report in final form ready for submission next week. I enjoyed working with Senator Rader and he was most helpful in helping me understand the needs of the Committee. The legislature is fortunate in having a man of Senator Rader's intelligence and knowledge directing the affairs of the Committee.

There is one matter that I need to bring to your attention at this time. For reasons wholly unrelated to my work for the Committee I have concluded that I should terminate my association with Baker & Botts. I will not do so until the report is finalized and transmitted to Senator Rader. With the filing of the report, my opinions and conclusions will, in due course, become a matter of public record, and accordingly, I do not believe that a change in law firm affiliation will adversely affect the work which I have undertaken. It is my present intention to enter the law firm of Vinson, Elkins, Searls, Connally, and Smith, and I will be in charge of that firm's Washington office.

If you have any questions, please do not hesitate to call me. With best regards.

Very truly yours,


Rush Moody, Jr.

RM/sm



JUNEAU, ALASKA

Alaska State Legislature

Senate

April 1, 1976

Avrum M. Gross
Attorney General
Department of Law
Pouch K
Juneau, Alaska 99811

Dear Mr. Gross:

This letter is to confirm the request for an opinion on "Memorandum on risks to seller of Prudhoe Bay gas of attempting to control transportation of inter-state gas after sale".

My staff requested an opinion of Mr. Fred Boness on March 29. Mr. Boness said he would review the memorandum but that he needed a letter to follow department policy.

Thank you very much for your attention. There is some need for a timely response as this opinion may have some effect on current negotiations with State royalty gas.

Sincerely,

A handwritten signature in cursive script, appearing to read "John Rader".

Senator John Rader
Alaska State Legislature

JLR/EE/kb

WARREN G. MAGNUSON, WASH., CHAIRMAN

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MICHAEL PERTSCHUK, CHIEF COUNSEL
ARTHUR PANKOFF, JR., MINORITY COUNSEL

United States Senate

COMMITTEE ON COMMERCE
WASHINGTON, D.C. 20510

February 19, 1976

Honorable John Rader
Chairman
Gas Pipeline Impact Committee
Alaska State Senate
Pouch V
Juneau, Alaska 99811

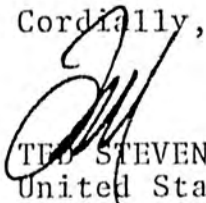
Dear John:

Thank you for your recent letter informing me of the hearings your Committee is planning to hold this week. I also appreciate your courtesy in providing me with a copy of the report prepared by Rush Moody, Jr.

Unfortunately, I will not be able to testify but I do appreciate your kind offer.

With best wishes,

Cordially,


TED STEVENS
United States Senator

COPY OF TELEGRAM SENT:

TO: Rush Moody, H.K. Van Poolen & Assocs., Washington, D.C. (202)298-5550

FROM: Eckholm

DATE: February 26, 1976

AFFIRMATIVE TO RELEASE REPORT TO FEA OR ANYONE YOU WANT.

586-1
6440
Telegrams

Vinson, Elkins, Searles,
Connolly, Smith
Suite 1120
1701 Pennsylvania Ave NW
Wash DC 20006



Alaska State Legislature

Senate

JUNEAU, ALASKA

March 2, 1976

Howard A. Slack
Atlantic Richfield Company
P.O. Box 360
Anchorage, Alaska 99501

Dear Mr. Slack:

Thank you for your letter of February 27 regarding your natural gas commitments for Prudhoe Bay gas.

I can understand your concern for the possibility of allocation proceedings and your desire to honor your current commitments if at all possible.

I appreciate your candor in your response. As you know, we feel it imperative that a delivery system for natural gas be built through Alaska to allow for future use and development of Alaska's natural gas reserves.

I am sure that you at ARCO can agree that if a Trans-Alaskan pipeline can deliver gas faster to market, and provide a broader industrial tax-base within Alaska, ARCO's interests would best be served.

I note with interest paragraph 3, page 2 of your letter, "We expect conditions will be such that Atlantic Richfield can institute negotiations prior to that date looking toward designating market commitments. El Paso should be able to compete strongly for a portion of our Prudhoe Bay gas when such negotiations commence".

I intend to commend you on the floor of the Senate for your interest in working with the State. If there is any possibility of assistance we can offer, or you have further developments that might provide further incentive for a Trans-Alaskan Gas Pipeline, please contact me.

Once again, thank you for your cooperation.

Sincerely,

A handwritten signature in dark ink, appearing to read "John Rader".

Senator John Rader
Alaska State Legislature

JR/EE/kb



Alaska State Legislature

Senate

April 14, 1976

Herbert W. Lehseldt
City Manager
Valdez, Alaska

Dear Mr. Lehseldt:

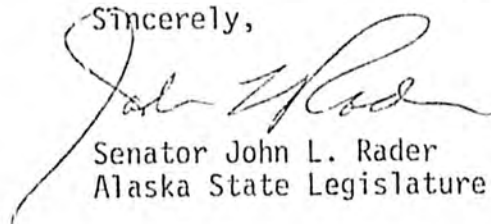
Thank you for your telegram regarding sale of State royalty gas.

It is a complex issue, with no solid answers at this time. However, according to the best information available to our Committee at this time, a commitment of royalty gas will assist the State in the gas line determination.

In order to assure the State will have use of the gas at some time in the future, a recall option for the State is an integral part of all proposed contracts. The exact terms of the contracts are still under negotiation, but will include provisions guaranteeing the State rights to future use of royalty gas.

I appreciate your letter of support. If you have any other matters of particular interest or concern, please contact me at any time.

Sincerely,



Senator John L. Rader
Alaska State Legislature

JLR/EE/kb

TELEGRAM

RCA ALASKA COMMUNICATIONS, INC.

PHONE: 586-6440

JUNEAU, ALASKA 99801

02143 NL TDA VALDEZ ALASKA 188 04-01 0502P AST

PMS SENATOR JOHN RADER

CHAIRMAN GAS PIPELE IMPACT COMMITTEE

JUN

0094

XTHE CITY OF VALDEZ HAS SUPPORTED A POSITION INSURING
USE OF ALASKA STATE ROYALTY GAS WITHIN THE STATE.
IT NOW APPEARS VITAL THAT COMMITMENT OF THE ROYALTY GAS
BY THE STATE TO ALLOW INCLUSION IN THE FEDERAL POWER
COMMISSION HEARINGS BE MADE BY THIS SESSION OF
THE LEGISLATURE. WE UNDERSTAND THAT A PROPOSED CONTRACT
WOULD COMMIT EIGHT/PERCENT OF THE ROYALTY GAS FOR THE
PERIOD 1976 TO 1981, WITH A HOLD BACK OF TWENTY PERCENT
DURING THAT PERIOD. SUBSEQUENT HOLD BACK WOULD INCREASE
TO FORTY PERCENT FOR THE SECOND FIVE YEAR PERIOD,
SIXTY PERCENT FOR THE THIRD FIVE YEARS, EIGHTY PERCENT
FOR THE FOURTH FIVE YEARS AND TOTAL HOLD BACK THEREAFTER.
THIS FORMULA APPEARS TO BE EQUITABLE WITH ORDERLY
USE WITHIN THE STATE AND REASONABLE DEVELOPMENT COULD
BE OBTAINED. THE FIRST FIVE YEAR PERIOD WILL BE LARGELY
USED UP BY CONSTRUCTION AND THE FORMULA AS STATED SHOULD
PROVIDE ADQUATE GAS FOR IN TATE CONSUMPTION THEREAFTER.
WE FIND THIS PROPOSAL, IF ACCURATELY STATED, TO BE
CONSISTANT WITH THE POSITION OF THE CITY OF VALDEZ,
AND URGE THE SUPPORT OF THE COMMITTEE IN PUSHING FOR
A DECISION THIS SESSION.

HERBERT W. LEHSELDT CITY MANAGER CITY OF VALDEZ

1976 APR 1 PM 9 36



JUNEAU, ALASKA

Alaska State Legislature

Senate

April 14, 1976

W.F. Todd, Associate Economist
Arabian American Oil Company
Shoreham Building
Washington, D.C. 20005

Dear Mr. Todd:

Thank you for your letter requesting information on the Gas Pipeline Impact situation in Alaska.

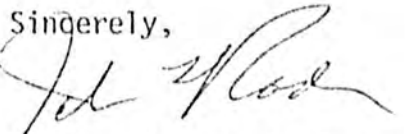
I think you have our Committee confused with the Pipeline Impact Information Center. They have published twenty-five reports regarding pipeline impact in the State.

I have contacted them and asked them to mail you copies of their reports.

The Gas Pipeline Impact Committee is mainly concerned with supporting the construction of a Trans-Alaska gas pipeline routing.

If you have any other questions, please contact me or my staff assistant, Eric Eckholm.

Sincerely,


Senator John L. Rader
Alaska State Legislature

JLR/EE/kb

ARABIAN AMERICAN OIL COMPANY

A CORPORATION

SHOREHAM BUILDING

WASHINGTON, D. C. 20005

February 20, 1976

Gas Pipeline Impact Committee
Alaska State Legislature
Juneau, Alaska 99801

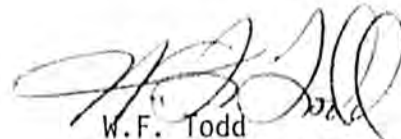
Gentlemen:

As I'm sure you know, the Saudi Arabian Government has launched its second five-year development program which calls for the expenditure of \$143 billion during that period and will require the importation of some 500,000 construction and operating personnel.

We in Aramco are interested in anticipating and hopefully trying to head-off unfortunate economic side-effects which we would expect to accompany such a large undertaking. Some of these unfortunate negative impacts can be anticipated readily while others might be more obscure.

I have seen references to as many as 21 Impact Information Center reports having been issued through the end of 1975. I would like to receive copies of these reports and any additional material that your committee may have released for public use. Furthermore, I would like to have my name added to your mailing list for subsequent reports if that can be arranged.

Very truly yours,


W.F. Todd
Associate Economist

WFT/elj



Alaska State Legislature

JUNEAU ALASKA

April 28, 1976

Rush Moody
Vinson, Elkins, Searles, Connally and Smith
Suite 1120
1701 Pennsylvania Avenue, N.W.
Washington, D.C. 20006

Dear Mr. Moody:

The weather is sunny in Juneau - a rare pleasure!

The legislative session is winding up. Senator Rader is considering his funding needs for the Gas Pipeline Committee for next year, and asked me to write you concerning maintaining you as a consultant for the State.

Guy Martin forwarded your letter regarding a possible conflict of interest with your new firm. Could you please make a thorough report to Senator Rader concerning any possible conflict of interest? We are confident of your integrity and hopeful you will be able to maintain an involvement with the State.

To assist with our planning and to avoid any future misunderstanding, could you supply the Committee with your funding requirements? We are prepared to pay for all your out-of-pocket expenses, including travel and per diem and related expenses plus your professional requirements. What would you charge on a per hour, per day, and per week contract? Would you consider a yearly retainer to supply the Committee with regular information regarding Federal Power Commission and Congressional actions of interest to Alaska.

I hope we are able to retain your expertise in the future and look forward to meeting with you again.

Sincerely,

A handwritten signature in dark ink, appearing to read "Eric Eckholm".

Eric Eckholm, Administrative Assistant
Gas Pipeline Impact Committee

EE/kb



JUNEAU, ALASKA

Alaska State Legislature

Senate

April 2, 1976

G.A. Seeliger
1001 Nobel Street
Fairbanks, Alaska 99701

Dear Mr. Seeliger:

Thank you for your letter of March 16.

The Gas Pipeline Committee has been active in maintaining an aggressive posture with regards to supporting the Trans-Alaskan line.

According to our best information at this time, sale of some part of the State's royalty gas might aid the State in obtaining broader consumer and political support in the "lower 48".

The administration has begun negotiations with several parties for a possible sale of royalty gas, and I am personally monitoring the progress of those negotiations to insure what I feel are the best interests of the State.

Advance payments is not an issue of primary interest at this time. The only reason for a sale of royalty gas now is to obtain greater support for an Alaskan line, and the negotiations are aimed at furthering that goal.

Prior to any sale, we are attempting to insure the current and future needs of Alaskans will be met.

Thank you for your concern. If you have any other matter of particular interest or concern, I hope you will contact me.

Sincerely,

Senator John Rader
Alaska State Legislature

JLR/EE/kb

1001 Noble Street
Fairbanks, Alaska 99701
March 16, 1976

Senator John Rader, Chairman
Joint Gas Pipeline Impact Committee
Alaska State Legislature
Juneau, Alaska 99801

Dear Senator Rader:

Thank you for inviting my comment on the disposition of Alaska's share of Prudhoe Bay gas.

It is my understanding that there is some interest in selling all surplus Prudhoe gas to a single potential purchaser. That suggestion if followed would, it seems to me, weaken our effort to build an Alaskan pipeline, and perhaps destroy our flexibility in negotiating the sale of our share of Prudhoe gas. It seems apparent to me that a better approach would be to encourage El Paso in their effort to build a pipeline by offering them a substantial share of the royalty gas and at the same time offer royalty gas to one or two other interested parties who would, in turn, support the construction of the Alaska gas pipeline both financially and politically.

In my opinion it would be unwise to commit our gas to a company who, up to now, has shown little interest and no activity simply because they hold out the "advance funds" bait. Were we to take this lure we could get locked into something that would result in a long term disadvantage to the state, as it would seem that we might be surrendering control.

As a plain old Alaskan Resident I want to commend you for the solid work performance that you and your Gas Pipeline Import Committee has done thus far. Keep up the good work.

Very truly yours,


G. A. Seeliger

GAS:pbw

Mr. G. A. Seeliger, Manager
TANANA VALLEY MEDICAL-SURGICAL GROUP

1001 NOBLE STREET • FAIRBANKS, ALASKA 99701



JUNEAU, ALASKA

Alaska State Legislature

Senate

February 12, 1976

Jerry McCutcheon
P.O. Box 2340
Anchorage, Alaska 99510

Dear Mr. McCutcheon:

The Gas Pipeline Impact Committee will be holding hearings in Juneau on February 17, 18 and 19. Senator Rader requested that you be invited to testify at those hearings due to your continuing interest in the gas pipeline issue.

Testimony will center on three issues:

1. the Rush Moody Report (attached)
2. the State's reservoir analysis
3. use of State royalty gas

If you plan to attend the hearings and testify, please contact me as soon as possible at Senator Rader's office at 465-3770.

If there is any further information the Committee can provide, please contact me.

Sincerely,

A handwritten signature in cursive script, appearing to read "Eric Eckholm".

Eric Eckholm, Staff Assistant
Gas Pipeline Impact Committee

Alaska Municipal League

Policy Statement

1979



Adopted at the Business Meeting
of the twenty-eighth Annual Conference of the

ALASKA MUNICIPAL LEAGUE

Anchorage, Alaska
November 11, 1978

TELEPHONES
(907) 586-1325
586-6526

Alaska MUNICIPAL League

204 N. FRANKLIN ST.
JUNEAU, ALASKA 99801

January 15, 1979

The Honorable Arliss Strugulewski
Alaska State Senate

Dear Senator Sturgulewski:

The enclosed 1979 Municipal Policy Statement was adopted by the delegates attending the Alaska Municipal League's 28th annual Local Government Conference in Anchorage, November 8-11, 1978.

As in the past, this policy statement attempts to define and emphasize the legislative and administrative goals of political subdivisions throughout Alaska. Items included in the statement have been reviewed and debated for several months by municipal officials who are concerned on a day-to-day basis with the many complex problems facing local governments in this state. The statement is presented as a guide to the priority concerns of League member municipalities.

It is the League's desire that our members, especially the Board and the Legislative Committee, become more active in dealing with legislation pertaining to municipalities. Our goal is to achieve greater success by being more available to the Legislature and the Administration. It is our hope our expertise will be utilized and we can continue and build on the good working relationship the League has enjoyed with the Legislators, the Governor, and the members of his cabinet.

The League's Legislative Committee has been given the authority to draft specific legislation covering various proposals, copies of which will be available in the League office for any of you who are interested in reviewing them and assisting us in their introduction and passage.

We certainly want to express our appreciation of your interest in the League's program and look forward to working with you during the next session. Please don't hesitate to call on us at any time.

Sincerely,

Phil Younker
Phil Younker
President

PART I
TAXATION AND FINANCE

State Collected, Locally Shared Taxes

A. Municipalities in Alaska presently derive significant revenues from state-collected, locally shared taxes to help meet their basic operating expenses. Any curtailment of such revenues would have a serious adverse effect upon the operation of municipal governments, resulting in either a marked increase of local property taxes or a reduction in the level of services offered to the public. The League, therefore, opposes reduction of such revenues through the elimination of such taxes unless other equal sources of revenue are made available to local government, or appropriations to compensate for lost revenues are made by the state.

B. The exploration, development and industrial utilization of renewable and non-renewable resources, both inside and outside municipal boundaries, creates a substantial and immediate impact on the need for municipal facilities and services which exceed the financial ability of most municipalities to meet in the short period of time available to have such facilities and services operational. The League urges adoption of legislation which would provide financial assistance to municipalities which are proposed for such impacts.

C. The League continues to urge adequate funding of the Abandoned Motor Vehicle Fund with special emphasis paid to the cost incurred in handling abandoned vehicles which have no value.

D. The League supports legislation which would enable municipalities to levy, by local option, a tax on the same tax source as are authorized for levy under the Alaska Income Tax Act, without restricting municipalities' rights to levy taxes on other sources. The League further recommends that the municipal income tax be collected and administered by the state and refunded to the jurisdiction levying the tax.

E. The League supports an increase in the percentage of raw fish tax from 20% to 60% with distribution to local governments to remain the same as present statute.

Locally Collected Taxes

A. Sources of local revenue for municipalities in Alaska are limited to a very extensive degree, to the income derived from local property and sales taxes. Therefore, the League opposes the imposition of state-mandated exemptions of certain classes of property, individuals, organizations or commodities from the applications of such taxes unless adequate compensation is made by the state to reimburse local government for revenues lost due to these exemptions.

B. Several laws have been enacted in the past few years which have mandated exemptions, partial exemptions and deferrals from local property taxes or assessments. In most cases provisions have been included which cause the state to reimburse municipalities for lost revenue. The League urges the Legislature to include in all such reimbursement legislation the provision that this reimbursement is a lien in favor of the State against the property exempted, except that this lien provision will not apply to exemptions granted under AS 29.53.020(e).

C. The State of Alaska is increasingly acquiring property within the various municipalities and as such demands the local governmental services for such property to include fire, police and other amenities from the human resource standpoint. The League, therefore, endorses the position whereby the state would pay to the local governments a payment in lieu of ad valorem taxes for the state owned property as well as payments for its share of the cost of improvements which benefit such property.

Local Taxing Powers

A. The League opposes any further effort on the part of the State to levy a property tax which would infringe upon the rights of local governments to levy the same rate of tax as levied on other property within the taxing jurisdiction.

B. The municipalities in Alaska must assess property at 100% of its fair market value for purposes of taxation. To assure the public of fair and equitable treatment to protect the property owner from improper assessing practices, municipalities have established adequate procedures for hearings and appeal. The League, therefore, opposes any attempt to restrict local assessment procedures without a thorough review of the statewide impact those restrictions might have.

State Shared Revenues

A. The League supports the concept of HB 343 introduced in the Second Session of the Tenth State Legislature which distributes state shared revenue on the basis of local taxing effort with a savings clause for all communities, and provides, at a minimum, for inflationary increases in the funding of the program.

B. The League supports legitimate and reasonable changes in the amount of money requested for the municipal services shared revenue program and remains adamant in the belief that each Legislature has the obligation to fund the program 100% annually.

C. State road maintenance of local roads (under state revenue sharing program) has been set at \$1,500 per mile for a number of years. Over this period of years, the actual cost of road maintenance has increased substantially. The League hereby supports an increase of available state funding for road maintenance to realistically reflect today's cost of road maintenance with this increase funded by an additional legislative appropriation.

Bonding

A. The League opposes any legislation which would limit the municipal authority to levy taxes for payment of bonded debt.

Funding the Newly Organized Municipalities

A. The League requests the enactment of legislation to provide adequate block grants to assist in the formation of new municipalities.

Public Employee Retirement

A. The League urges that legislation which increases benefits under the Public Employees Retirement System provide that the increased cost shall be borne by contributions from the employees. The League urges the Legislature to recognize the effect on participating municipal employers if any amendments are made to PERS.

Cultural, Civic and Convention Centers and Museums

A. While legislation has been enacted into law to enable the state to assist local communities in the construction, maintenance and operation of cultural, civic, convention and community recreation centers, no funding has been available for this purpose. The League, therefore, urges the Legislature to authorize the issuance of bonds for this or any similar legislation in an amount sufficient to meet the construction requirements in Alaska communities.

B. The League urges the Legislature to provide state assistance for the acquisition, construction, maintenance and operation of museums by Alaskan communities in order to preserve and display materials illustrative of the history of the state, the community and its people.

Local Hospital Use

A. It is the practice of the Public Health Service and other health agencies to transport patients from local communities with modern hospital facilities and professional expertise to regional hospitals for treatment and convalescence. If local community hospitals are to survive and provide the professional services communities require, these cases should remain in the local hospitals. The League, therefore, urges the state and federal agencies responsible for health care to utilize the local health facilities and to transport patients to regional centers only when the necessary services are not available.

Real Estate Transfer Information

A. The League supports legislation to enact a statute imposing a real estate transfer fee with an affidavit to the Department of Community and Regional Affairs containing the date of transfer, legal description, total consideration, terms and conditions of sale, name and mailing address and signature of grantee and grantor.

Role of the Permanent Fund

- A. The League supports legislation which would mandate the investment of a percentage of the permanent fund into the development of energy resources and potable water supplies.
- B. The League, which recognizes that the concept of the permanent fund is to take revenues from a non-renewable resource and turn these revenues into a renewable resource, urges the Legislature to increase the percentage of income going into the fund to help guarantee the economic stability of the state.

Anti-Cyclical Policy

- A. The Alaska Municipal League requests the executive and legislative branches of state government to develop a clear anti-cyclical policy to provide as much as possible for the scheduling of state capital projects projected for municipalities during periods of lower economic activity in the municipality and to direct other state activities with consideration of municipalities whose economies are depressed from normal levels.

PART II EDUCATION

School Support

- A. The Constitution of Alaska is very specific in its requirement that education is the responsibility of the state. Therefore, the League urges the Legislature to fund annually 100% of the costs of Public School Foundation Program, student transportation (including kindergarten, hazardous bus routes and inclement weather), and community schools. Appropriations for these programs must reflect annually the increased costs incurred by school districts and full funding should not be used as a catalyst for the state to infringe upon the rights of local people to administer local schools.
- B. The League further encourages the Legislature to continue to support school capital projects at 80% construction level or higher (as defined by the rules and regulations established by the Department of Education) and call upon the Legislature and the Governor to fund this amount annually.
- C. The League recommends that the state Legislature fund fully facilities and certificated and clerical personnel to educate all children required by Public Law 94-142.
- D. The League recommends the Governor and the Legislature fully fund the cost of pupil transportation for fiscal year 1978-79 by supplemental appropriation if necessary.
- E. The League recommends that the state reduce and simplify the paper work requirement for local school districts receiving state and federal funds.

F. The League recommends that the state Legislature adopt legislation to endorse and fund education programs in that area of alcohol and drug abuse with staff training and such programs would be optional by each school district.

Assembly/Council-School Board Relationships

A. The League supports legislation to clarify assembly/council-school board relationships and opposes legislation which would diminish assembly-council authority in education matters.

Public Communications

A. The League encourages state and federal governments to seek immediate and expeditious activation of satellite communication facilities for education in the State.

B. The Second Session of the Ninth State Legislature implemented initial funding for limited televising of legislative sessions. The League now urges adequate funding of the program to assure that the general public has the greatest access possible, not only to floor sessions, but also committee hearings.

PART III PUBLIC SAFETY

A. The demand for trained competent local police and fire departments is accelerating throughout Alaska. It is urged that the Legislature at an early date assure that police, fire and emergency medical personnel training programs throughout the state have adequate facilities for training of local public safety people, and provide financial support to assist the communities who participate.

B. Because the Public Safety Academy is reaching a point of saturation for available space for outside training, the League recommends the establishment of a state-supported police training facility or facilities. State assistance should be proportional support of the cost of expanded facilities and on-going tuition assistance to those members of municipal police agencies attending the courses in order to meet the requirements of the Alaska Police Standards Act.

C. The League urges the Legislature to provide the Commissioner of Public Safety with the authority to establish a limited certification program for municipal security officers for special purposes, to include airport boarding security.

D. The League urges the Department of Health and Social Services, Division of Corrections, to fund the construction and/or operation of short term detention facilities within local communities.

E. The League supports legislation which would permit municipalities to tax, assess or oppose a surcharge on the distribution and/or sale of alcohol within its boundaries.

F. The League supports legislation authorizing municipalities to establish additional standards for the issuance, renewal and transfer by the state of liquor licenses within the jurisdiction of the municipality.

G. The League urges the State of Alaska to establish two arson teams to investigate fires.

H. The League urges the State of Alaska to establish a comprehensive fire prevention/education program, through the state Fire Marshal's office, that will utilize professionally trained fire prevention/education officers in each region of the state.

PART IV LAND USE

Local Options

A. The League feels strongly that laws pertaining to the powers of local planning and zoning must allow for the greatest flexibility at the local level.

Land Selection

A. The League urges (1) immediate conveyance of Native and State lands presently identified and jointly agreed upon for selection, and (2) the State of Alaska move expeditiously to convey lands to municipalities. (3) The League encourages a cooperative intergovernmental land use planning process that considers municipal, state and federal lands affected by the land selection process.

B. The language of chapter 180 SLA 1978, which was enacted to solve the problems municipalities have faced in acquiring lands within their boundaries for local management appears to contain certain language which prevents the use of "redesignated" mental health lands to calculate the entitlement of "cities" which are not located within a borough. Every effort should be made to correct this interpretation either administratively or by statutory amendment.

d(2) Lands in Alaska

A. The League opposes any legislation that would create instant land use classifications severely restricting lands and resources without consideration for land use potential. Any land use recommendation should, whenever possible, follow the multiple use concept, and should be based on professionally thorough and unbiased analysis of land use potential and compatibility of uses, giving appropriate weight to economic, social and environmental factors.

B. The League urges that potential hydroelectric projects be eliminated from federal and state d(2) selections by providing headwater rights, sites for dam sites, corridors for water and electric transmission lines, power houses, associated substations and all attendant facilities. The League further supports the preservation of rights-of-way across all land selection and classification for the purpose of providing for future construction of public accesses of various types.

Historic Sites

A. In order to help municipalities to retain as much as possible of Alaska's colorful and historic past, the League supports establishment of a matching grant program and funding for acquisition, maintenance and rehabilitation of monuments and historic sites.

Coastal Management

A. The League supports continued and maximum local control in the development and management of the coastal policies, coastal planning and implementation of coastal policies.

B. The League supports the concept of "extra-territorial" planning for municipalities in the unorganized borough with statutory provisions to permit the Alaska Coastal Policy Council to adopt said "extra-territorial" planning as part of the Alaska Coastal Management Program until such time as a resource district is formed in that part of the unorganized borough.

Subdivisions

A. Subdivision of land is a major factor in community development creating patterns which have long lasting effects. Although present legislation clearly recognizes the need for subdivision, means of enforcement are inadequate. The League supports legislation which would require proof of approval by local authorities prior to the filing of an instrument affecting the boundaries of land.

PART V TRANSPORTATION, DOCKS AND PORTS

Surface and Marine highways

A. With the increasing development of natural resources in Alaska, the League supports legislation which would expand the Alaska Marine Highway to Western Alaska and improve transportation to Southeast Alaska linking it to Western Alaska, and expand the marine highway system to Lower Cook Inlet communities, and further supports the expeditious procurement of an ocean going vessel to accomplish the expansion of the Alaska Marine Highway System as stated above.

B. Since Alaska economically depends heavily upon ocean and inlet water shipping, fishing and other marine travel, the League supports the state's port and Harbor Grant programs and urges further expansion of those programs. Major port and harbor facility plans should be prepared and developed consonant with the municipalities' plans.

C. The League supports efforts to provide efficiencies in the operation of the Alaska Marine Highway System providing these efficiencies are based on publicly available economic and technical data. However, the League strongly objects to any reduction in existing marine highway systems absent technical, economic and other jurisdictions, strongly urges community input be required prior to establishing marine highway rates, schedules and operational changes, and requests public input for any studies affecting the operations of the Alaska Marine Highway System be solicited on a state-wide basis.

D. With the difficulty in acquiring public rights-of-way throughout the state, primarily due to different land classification and ownerships, the League supports the identification of adequate corridors for construction for public access through such lands and early acquisition of adequate rights-of-way.

E. The League supports efforts toward an expanded railroad system to serve areas beyond the current northerly railroad terminus and southeasterly extensions linking the State of Alaska with Canadian rail facilities. The League supports the extension of the existing line to the Kenai Industrial Complex.

F. Since the Alaska economy depends on the existence of transportation routes, the League supports the continued use and state maintenance of the state highways.

G. The League supports an effort by the state to improve the land transportation service between Southcentral Alaska and the Whittier Gateway to Prince William Sound.

H. The League requests that the State of Alaska support mandatory shipping corridors within Alaskan waters.

I. The League supports enactment of boating safety laws within Alaska.

J. The League requests the state to intervene in the matter of interpretation and enforcement of federal regulations pertaining to the transportation of hazardous cargo on passenger vessels and aircraft in order to reduce the financial penalties now imposed upon certain communities.

K. The League supports the expeditious development of a transportation program based on technical data with the maximum public participation possible which identifies the needs and establishes an improvement program for all forms of transportation in Alaska to include commercial and private air, marine and land transportation systems and adequate consideration for emergency airstrips.

L. The League requests that the state join in asking the President of the United States to intervene in the interpretation of the Jones Act by the Bureau of Customs, as it limits the time permitted and number of port calls in Alaska by foreign bottom cruise ships.

M. Port Authorities: Insufficient mechanisms exist under Alaska law to create joint port authorities, free port of entries and trade zones. Therefore, the League supports legislation to expand the powers of home rule and general law municipalities to create, finance and operate port facilities and ancillary authorities to enhance commerce within the State of Alaska.

N. The League requests the state provide the option for municipalities to assume jurisdiction over control of the movement of local street and highway traffic within its boundaries.

PART VI MUNICIPAL UTILITIES

State Regulation

A. Alaska is undoubtedly unique among the fifty states in its preponderance of municipally-owned utilities. However, most of these utilities are currently over-burdened because of unprecedented growth of recent years. The League supports expeditious funding which would make available to the various municipal utilities in the State of Alaska low interest loans in order that they may immediately be brought into adequate service for the people, and that the Alaska Power Authority be adequately funded to meet the needs of the municipalities for water and power source development and distribution.

B. Despite the demonstrated ability of municipalities to operate their own utilities in the best interest of consumer public, efforts are constantly being made to subject municipally owned and operated utilities to regulation by the Alaska Public Utilities Commission. This is a costly and unnecessary infringement on local government powers and the League opposes any legislation which would inflict this undue regulation by the State on municipally owned and operated utilities.

C. The League supports legislation which would make it clear that municipalities and REA financed utilities may include construction work in progress in the utilities rate base.

D. The League supports the concept of direct subsidization from state funds for the construction of power and water projects in order that rates paid by the Alaska consumer for these necessary services may be set at a reasonable level which is within the ability of the citizen to pay.

Acquisition

A. One of the alleged benefits to accrue from the enactment of the Alaska Public Utility Commission Act was an amicable solution to the service area conflicts between competing utilities. To further this commendable objective, the League, therefore, supports legislation which would allow municipalities operating utilities to acquire the facilities of a competing utility under specific terms which would fairly compensate the competing utility.

Sewage Disposal

A. The League opposes regulations which would limit the Clean Water Act of 1977 from excluding municipalities adjacent to tidal fluctuations from the requirements of secondary treatment where the receiving waters do not merit secondary treatment for sewage effluent disposal into ocean waters.

B. The League also endorses the concept of the State of Alaska's paying up to 75% for sewage and water systems constructed by municipalities under the State of Alaska Construction Grant Program.

C. The League endorses an amendment to Federal Law which would allow the operational cost of sewage treatment facilities to receive general fund support from the State of Alaska and its municipalities.

Solid Waste

A. The League supports legislation which would authorize up to 75% of the costs of capital improvements for construction of solid waste disposal facilities by municipalities under the State of Alaska Construction Grant Program. This program shall be applicable to those facilities currently under construction at the time the Act passes.

Fresh Water

A. The League endorses amendments to federal and state regulations to permit waivers of the Fresh Water Drinking Standards.

PART VII MUNICIPAL ELECTIONS

Majority Elections

A. The League supports legislation which would amend 29.28.040 to allow municipalities to determine, by local option, what percentage of votes cast is necessary for election to municipal office.

Poll Hours

A. Experience has proven that extension of polling hours has not increased voter turnout and has been costly. The League, therefore, opposes legislation which would extend the hours beyond the present 8:00 am to 8:00 pm.

Registration

A. The League opposes legislation which would eliminate or erode the State of Alaska registration system.

B. The League supports legislation which would expand the state voter registration laws (AS 15.07.030) to include as part of voter history for registration and purging purposes, voting in a regular municipal election.

Administration

A. The League supports legislation which consolidates all functions pertaining to election, conflict of interest, campaign disclosure reporting and qualifications for candidates into one agency.

Disclosure Restrictions

A. Although the League opposes campaign and financial disclosure restrictions imposed upon local governments, it recognizes the improbability of complete repeal of these statutes. The League, however, urges the Legislature to review and revise the laws making the reporting requirement less onerous than presently in effect. The League specifically supports legislation which would exempt from campaign disclosure elected advisory boards as defined in 29.63.090.

Voter Qualification

A. The League supports legislation which would require a person to be registered to vote, under the state registration system, in the municipality in which he seeks to vote.

Qualifications for Elective Office

A. The League supports legislation that would include provisions in Title 29 for municipalities to set qualifications for all elected municipal officials and to delete that section in Title 14 relating to school board member qualifications.

B. The League supports legislation that would amend Title 29 to include reference to the requirements of AS 15.13 and AS 39.50 pertaining to qualifications of candidates.

Title 29 Revisions

A. The League supports legislation which would clarify AS 29.28.070(b) to specify that signature requirements for petitions be based upon the last applicable election held just preceeding the date of first circulation of the petition.

B. The League supports legislation amending AS 29.28.070 to provide that the number of signatures required to initiate a petition for referendum, initiative or recall be 25% of the number of voters voting in the last general or special election regardless of population of the municipality.

PART VIII LOCAL GOVERNMENT POWERS

Local Autonomy

A. Because certain restrictions currently exist in the Alaska Statutes which impede effective independent local government, the League supports legislation which would promote more effective and independent local government in all organized boroughs and cities, and opposes any legislation which restricts local government powers.

B. The League also opposes any further intrusion into local government powers and operations.

C. The League supports the continued exemption of municipal officials and employees from the lobbying reporting requirements under AS 24.25.

D. The League supports legislation at both state and federal levels placing municipalities in an equal posture with state governments with respect to federal anti-trust laws.

E. The League opposes state restrictions on enforcement of municipal ordinances and supports legislation clearly establishing local autonomy in the creation of mandatory sentences and other remedies for violation of local ordinances.

Public Employee Labor Relations

A. The League strongly opposes any legislation which would force municipalities to be subject to the provisions of the Alaska Public Employees Labor Relations Act. The League opposes just as strongly, any legislative efforts to dictate the provisions of local public employees labor relations ordinances. The League supports legislation to allow each municipality at any time to reject or withdraw from the terms of the Alaska Public Employees Relations Act.

B. The League opposes legislation imposing binding arbitration on local governments. Such legislation would hinder local governments' ability to determine their personnel costs and therefore, prevent local government from determining the local tax rate.

Title 29 Revision

A. In 1972, the League was successful in its efforts to have the Legislature approve passage of Chapter 118 SLA 1972 which repealed Title 7 (Boroughs) and former Title 29 (Municipal Corporations) and created a new Title 29 (Municipal Government) in lieu of the repealed provisions. Since most powers of municipalities are derived from Title 29, the League supports efforts by the Department of Community and Regional Affairs to continually review, in consultation with Alaska municipalities, Title 29.

Third Class Borough

A. The League supports elimination of language from Alaska Statutes which would allow for the future creation of third class boroughs. Any existing third class borough would be allowed to continue in existence until such time as it reclassifies. The League believes that a third class borough, as currently defined in statute, does not meet standards for a general purpose local government.

Local Government Study

A. The League endorses, and strongly supports, legislative action that would create and adequately fund a committee which would be charged with investigating current and future state/local government relations and finance in Alaska and the current and future status of local government structures, specifically including the unorganized borough. The committee membership shall be comprised of a broad representation of state and local government residents. The committee shall prepare a report on its findings, including proposed legislation and constitutional changes, and shall submit the report to the Second Session of the 11th State Legislature.

Public Officials

A. Title 29 presently provides that salaries of elected officials of general law municipalities may not be changed during a term of office. (AS 29.23.530). No such limitation applies to home rule municipalities. The League supports amending Title 29 to allow establishment of, or increases in, the salaries or compensation of elected officials during their term of office.

B. The League supports legislation to allow public officials of participating municipalities to enroll in the Public Employees Retirement System at any time during their term of office.

Unemployment Insurance

A. The League opposes state imposition of unemployment insurance for local government employees.

PART IX RESOURCES

Non-Renewable

- A. The Alaska Municipal League supports a clear policy requiring the processing of state royalty oil and gas within Alaska.
- B. The League also encourages state policy requiring the distribution and sale within Alaska, to the extent it is economically feasible, the products of Alaska processed oil and gas.
- C. In response to the energy shortage and its economic impact on the people of the state, the League urges the federal government, the State of Alaska, and League members to design, construct and use their buildings with an emphasis on energy efficiency.
- D. In consideration of anticipated shortages of petroleum products for energy production, the League urges the State of Alaska to pursue the development of Alaska's coal resources.

Renewable

- A. The Alaska Municipal League requests that the executive and legislative branches of state government shall establish, through inventory, and make available for development and processing on a sustained yield basis, all renewable resources through a clear policy requiring the development and processing of renewable resources within Alaska.
- B. The Alaska Municipal League supports legislation which would continue long range research and development in salmon enhancement and for the development of an aggressive bottom fish program.
- C. The Alaska Municipal League requests the executive and legislative branches of our state government to accelerate market studies and market development of Alaska's renewable resources.

Human Resources

- A. The Alaska Municipal League supports and encourages, within the confines of the constitution and human resources limitations, any efforts on the part of the Governor and the Legislature to implement an Alaska hire policy.

A RESOLUTION TO URGE STATE FUNDING OF A NATIONAL EDUCATIONAL PROGRAM
TO TAKE THE ALASKA d(2) POSITION TO OUR FELLOW CITIZENS

WHEREAS the d(2) controversy affects the very lives and fortunes of every citizen of Alaska, and because of its impact it has become a familiar, integral part of our daily existence; and

WHEREAS the vast majority of the citizens of our sister states don't understand the immediate, devastating effect this legislation would have in Alaska, as well as the long term overall effect it will have on the entire nation; and

WHEREAS if our congressional delegation is to obtain some reasonable workable compromise in the legislative political process, it is essential that our fellow citizens throughout the country become educated in and familiar with the Alaska position; and

WHEREAS while some of our people, at great personal sacrifice, have attempted to carry our message across the land, we must now expand this effort to educate our neighbors of our plight and the d(2) impact on their own lives;

NOW THEREFORE BE IT RESOLVED that the Alaska Municipal League strongly urges the State Legislature and Administration to immediately provide adequate funding to finance a national educational program involving qualified representatives of our state and the media to present, in clear terms, the background, current status and immediate and long term effects of d(2) in Alaska and the entire nation, inlisting the aid of our neighbors to contact their congressional representatives on our behalf.

This resolution was passed and approved by the general membership of the Alaska Municipal League at its annual conference in Anchorage on November 11, 1978.

A RESOLUTION ON SURFACE TRANSPORTATION CORRIDORS

WHEREAS the League supports the identification of adequate surface transportation corridors for public access; and

WHEREAS the U.S. Congress and/or President may create extensive national interest land preserves which could preclude access to extensive state and private lands; and

WHEREAS surface transportation access has been one of the major issues in debates on national interest lands; and

WHEREAS much of this controversy could be resolved by the establishment of a minimal number of surface transportation corridors so located as to reasonably assure access to state and private lands;

NOW THEREFORE BE IT RESOLVED that the League requests immediate action by the Department of Transportation and Public Facilities to identify and adopt a minimal number of statewide surface transportation Corridors to assure to the maximum extent possible, surface access to all existing or anticipated state and private lands.

This resolution was passed and approved by the general membership of the Alaska Municipal League at its annual conference in Anchorage on November 11, 1978.

A RESOLUTION REGARDING DISPOSITION OF ALASKA'S ROYALTY NATURAL GAS

WHEREAS the Alaska Municipal League supports a clear policy regarding in-state processing of Alaska's royalty natural gas; and

WHEREAS it is imperative that this policy be made clear to all public and private agencies and firms involved in the production, transportation and utilization of Prudhoe Bay natural gas;

NOW THEREFORE BE IT RESOLVED that the Alaska Municipal League urges the First Session of the 11th Alaska Legislature and the Governor to provide immediate, separate notification to appropriate federal authorities, to private industry bidders for Prudhoe Bay royalty gas and to the owners and transporters of the gas that the state fully intends to process its royalty gas in-state; and

BE IT FURTHER RESOLVED that all federal and private planning for the disposition and transportation of Prudhoe Bay gas should reflect this intent.

This resolution was passed and approved by the general membership of the Alaska Municipal League at its annual conference in Anchorage on November 11, 1978.

A RESOLUTION REGARDING COORDINATION OF STATE AND LOCAL PUBLIC
HEARINGS AND PROVIDING FOR LOCAL OPTION

WHEREAS state programs require public meetings to determine the
desires and attitudes of the citizenry; and

WHEREAS many of those public meetings are conducted within
municipalities; and

WHEREAS cooperation and coordination between the state and municipal
governments is essential to proper delivery of services; and

WHEREAS the local governing bodies of municipalities should be
involved in public meetings conducted by state agencies within their
jurisdictions;

THEREFORE BE IT RESOLVED that state agencies are requested to make
every effort to assure that all public meetings within a municipality
are held in conjunction with an official meeting of the local governing
body unless the local governing body decides otherwise.

This resolution was passed and approved by the general membership of the
Alaska Municipal League at its annual conference in Anchorage on
November 11, 1978.

A RESOLUTION URGING THE USE OF ALASKA ART IN PUBLIC PLACES

WHEREAS a percentage of all public works is required to be in the form of visual arts; and

WHEREAS this art form is an important part of our tourist industry and our local aesthetics; and

WHEREAS Alaska has a great many talented artists;

THEREFORE BE IT RESOLVED we urge the art forms in public places be representative art of the Alaska scene where practicable; and

BE IT FURTHER RESOLVED we urge that communities be granted a significant role in selection of art forms placed in their communities.

This resolution was passed and approved by the general membership of the Alaska Municipal League at its annual conference in Anchorage on November 11, 1973.

A RESOLUTION OF THE ALASKA MUNICIPAL LEAGUE REGARDING FULL
FUNDING OF PUPIL TRANSPORTATION, SCHOOL CAPITAL PROJECTS
AND STATE SHARED REVENUE

WHEREAS the municipalities of Alaska have approved and are presently operating under their adopted budget for fiscal year 1978-79; and

WHEREAS any reduction in anticipated state aid or state support, after the budget adoption, would cause great financial hardship to municipalities and would force them to reduce or eliminate needed goods and services;

NOW THEREFORE BE IT RESOLVED that the Alaska Municipal League urge Governor Hammond to fund the cost of pupil transportation at the 100% level; and

BE IT FURTHER RESOLVED that the Alaska Municipal League urge Governor Hammond to fund the full 80% portion of the state share of school capital projects; and

BE IT FURTHER RESOLVED that the Alaska Municipal League urge Governor Hammond to fully fund the State Shared Revenue Program at 100% of its anticipated amounts; and

BE IT FURTHER RESOLVED that the Alaska Municipal league urge Governor Hammond to seek a special appropriation from the Legislature, if necessary, to make it possible to accomplish the above.

This resolution was passed and approved by the general membership of the Alaska Municipal League at its annual conference in Anchorage on November 11, 1978.

A RESOLUTION OF THE ALASKA MUNICIPAL LEAGUE REGARDING
PUPIL TRANSPORTATION REIMBURSEMENT

WHEREAS it is the obligation of the state to provide free pupil education subject to the provisions of AS 14.14.110 and AS 14.14.120; and

WHEREAS it is the obligation of the state to provide minimum levels of pupil transportation as outlined in 4 AAC, Chapter 27; and

WHEREAS student transportation has, in the past, been a totally reimbursable state expense; and

WHEREAS cost of living clauses and other inflationary contract provisions have been required by the Department of Education; and

WHEREAS annual cost of living, as per Cost of Living Index, generally exceeds 6% and present contract COLA factors compound this figure throughout the life of the contract; and

WHEREAS the Legislature did not fully fund pupil transportation during the last legislative session; and

WHEREAS this action places a significant financial burden upon municipalities throughout the state;

THEREFORE BE IT RESOLVED that the Municipal Finance Officers Association of Alaska requests the Alaska Municipal League to seek a supplemental legislative appropriation to fully fund the cost of pupil transportation for FY '78 and FY '79 to include the 2% administration fee; and

BE IT FURTHER RESOLVED that the Alaska Municipal League request the Legislature and the Governor to provide full funding, to include the 2% administrative fee for pupil transportation services in all districts throughout the state.

This resolution was passed and approved by the general membership of the Alaska Municipal League at its annual conference in Anchorage on November 11, 1978.

A RESOLUTION REGARDING THE ESTABLISHMENT OF SINGLE USE
FEDERAL MANAGEMENT AREAS IN ALASKA

WHEREAS the federal government proposes to establish in Alaska large areas of land that will be managed for a single purpose and use; and

WHEREAS such proposals suggest that relocation or heavy subsidies of bush communities may be required because of single use management; and

WHEREAS implementation of these proposals would violate federal law and established federal policies and direction; and

WHEREAS the cumulative impacts of single use management have not been compiled nor related to economic and job losses; and

WHEREAS access and opportunity for surface transportation have been precluded in such proposals; and

WHEREAS single use management would prevent the reasonable harvest of both renewable and non-renewable resources; and

WHEREAS the intent and purposes of the Alaska Statehood Act and the Alaska Native Claims Settlement Act have been set aside;

NOW THEREFORE BE IT RESOLVED that the Alaska Municipal League strongly urges the State Legislature and Administration to actively support completion of the selection provisions of the Alaska Statehood Act and the Alaska Native Claims Settlement Act, to oppose the establishment of large single use management areas and to provide adequate funding to accomplish these purposes; and

BE IT FURTHER RESOLVED that the League urges the State Legislature and Administration to support the establishment of single use management areas of the smallest practical size under the provisions of Section 17(D)(1) of ANCSA, but only after thorough and detailed studies as required by the Federal Land Policy and Management Act of 1976 and Executive Order No. 11821.

This resolution was passed and approved by the general membership of the Alaska Municipal League at its annual conference in Anchorage on November 11, 1978.

ADDENDUM TO
ALASKA MUNICIPAL LEAGUE
POLICY STATEMENT

The following letter was approved by the Alaska Municipal League's Board of Directors at a meeting December 8 and 9, 1978 in Anchorage:

The Honorable Jay S. Hammond
Office of the Governor
State of Alaska

Dear Governor Hammond:

The Board of Directors on behalf of the members of the Alaska Municipal League wish to take this opportunity to express our concern about training and certification standards for Alaska police officers.

The reduction of federal funding for basic police officer training programs now requires 50% state or local matching funds. Since many municipalities have initiated or completed their budget process for FY 80 and will be unable to provide the necessary 50% match, the Alaska Police Standards Council budgeted for this match along with funds for vital specialized training programs. However, we understand this appropriation was disallowed.

We ask you to reconsider and approve the Police Standards Council budget as it was originally submitted in order that the police training courses may be continued as well as the training coordinator position previously funded by LEAA.

Thank you for your courteous consideration of this matter.

Sincerely,

Phil Younker
President

cc: Mike Harper
Administrative Assistant to the Governor

ALASKA MUNICIPAL LEAGUE
204 North Franklin
Juneau, Alaska 99801
586-1325 - 586-6526

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Susan King, Administrative Assistant

WJ Levy

A Note on
Sohio Submission One

1. The rationale for allocation of income among states with corporate income taxes is that the three factors -- proportions of property, payrolls, and sales within a state relative to corporate totals -- will on average yield a reasonable approximation to the corporate income actually generated within the state.

Either property, payrolls, and sales will all be proportionate to income, or if one or two are disproportionately low, the other(s) will be relatively high (compared with other states) and thus yield appropriate allocation of taxable income to each of the several states.

2. The criticism of the allocation formula is that it appears to fail in the case of oil and gas producing income in Alaska -- i.e., that the formula allocates substantially less taxable income to Alaska than petroleum producing operations actually earn in the state.

Producing companies in Alaska typically "export" their crude so that the proportion of the companies' sales in Alaska is nil. Employment in producing operations tends to be relatively low compared with refining/marketing operations, so that the proportion of the companies' payrolls in Alaska tends to be low.

While investment in Alaskan production may be large, it does not appear to be that large relative to profitability -- at least not to the extent that the property allocation factor would make up for the deficiency of sales and payroll allocation factors.

3. Sohio Submission One points up the inadequacy of the allocation formula. But the point is implicit, not explicit, in Sohio's submission. Following is an analysis of the Sohio hypothetical projections.

4. The Table on page 4 for three companies related only to their operations outside Alaska.

Property factors are cited on page 6 -- e.g., 65 to 70 per cent for Company A, 20 to 25 per cent for C. Each of the three companies is assumed to have equal property in Alaska, on account Prudhoe and Alyeska. No property figure for Alaska divided by gross property shown in the table -- if the table included Alaska -- would yield those property factors.

If we assume property in Alaska of \$12 billion* -- \$8 billion for Alyeska and \$4 billion for Prudhoe -- and divide that equally among the three companies, the property factors work out to 69, 33, and 22 per cent for A, B, and C, respectively, closely in line with Sohio's figures on page 6.

5. Turning to Table 2A for 1978 data --

Sohio shows Alaskan income tax of \$24.1, \$19.2, and \$19.6 million for companies A, B, and C, respectively.

Note that the range in income tax liability is \$4.9 million for the one year, despite that Sohio postulates that each of the three companies has the same income in Alaska. This, in itself, raises questions as to the adequacy of the allocation formula.

* A necessary assumption to reconcile Sohio's model with its indicated property factors for the several companies.

Taking Alaska's 9.4 per cent corporate income tax rate, we derive taxable income in Alaska for each of the three companies --

A -	\$256 million
B -	204
C -	<u>209</u>
Total	\$669

6. On page 6, Sohio assumes that in all cases the Alaskan payroll factor is less than 2 per cent. We take 2 per cent as the payroll factor and average that in with the property factors cited in paragraph 4 above.

On that basis, the Alaskan income implied in Sohio's projections works out to --

A -	\$858 million*
B -	852
C -	<u>906</u>
Total	\$2,616

These average out to \$872 million for 1978, and total to \$2,616 million for the three companies.

The differences are small (Sohio assumes equal Alaskan income) and can be explained by the fact that our property and payroll factors vary slightly from what Sohio used but did not precisely specify.

* For Company A, 1978 tax payments to Alaska of \$24.1 million divided by tax rate of 9.4 per cent equals income allocated to Alaska of \$256 million. Income allocated to Alaska of \$256 million divided by average allocation factor of 24 per cent (69-per-cent property plus 2-per-cent payroll divided by 3) equals total taxable income of \$1,068 million. Subtracting income outside Alaska of \$210 million implies income in Alaska of \$858 million.

7. Setting Sohio's Alaskan taxable income (derived from Table 2A) on the basis of the allocation formula against our figures on actual Alaskan income (derived from Sohio's example) --

	<u>Actual Income in Alaska</u>	<u>Allocated Income to Alaska</u>	
A	\$858 million	\$256 million	30
B	852	204	30.5
C	<u>906</u>	<u>209</u>	31.2
Total	\$2,616	\$669	

Note that only 30, 24, and 23 per cent of Alaskan income is allocated to Alaska as taxable income for A, B, and C, respectively.

In toto, only 26 per cent is allocated.

The shortcoming in the allocation formula is clearly that the property factor does not make up for the deficiency in the sales and payroll factors.

8. It is not only that Sohio's own case points up the deficiency of the allocation formula. The deficiency can be shown as a basic problem.

Let Y' = taxable income allocated to Alaska by formula,

Y_t = company's total taxable income,

Y_a = company's Alaskan taxable income,

P_t = company's total property,

P_a = company's Alaskan property.

Assume, for simplicity, that sales in Alaska are nil (as is the case) and payrolls in Alaska are nil (in actuality, relatively small).

Then,

$$Y' = Y_t \frac{(P_a)}{(P_t)} \cdot 1/3$$

$$\frac{Y'}{P_a} = 1/3 \frac{(Y_t)}{(P_t)}$$

Then, $Y_a = Y'$ only when the above relationship holds. That is, the allocation formula only works equitably for Alaska when the ratio of income in Alaska to property in Alaska is as low as 1/3 of a company's total income to total property.

9. On \$8 billion pipeline property, and an ICC 7-per-cent rate, the companies' net would be \$560 million. Pre-tax, say, \$1,189 million.

Note that Sohio's total income for the three companies allocated to Alaska (\$669 million) is actually below the pipeline's pre-tax net.

If pipeline income (\$1,189 million) is subtracted from Sohio's implied Alaskan income (\$2,616 million), that leaves \$1,427 million of Prudhoe income. On the basis of \$4 billion producing property, the ratio of producing pre-tax income to property in Alaska works out to 36 per cent.

The pipeline pre-tax income to property works out to 15 per cent.

In contrast, Sohio's figures for the companies' outside income and outside property yield ratios of income to property of 12, 10, and 12 per cent for A, B, and C, respectively -- below the ratios of Alaskan income to property for both pipeline and producing operations.

The Sohio submission points up our general criticism of the allocation formula -- that it will not adequately identify as Alaskan income subject to Alaskan corporate income tax unless the profitability of Alaskan operations is comparatively very low. Sohio's model implies that profitability will be comparatively high for Prudhoe and the pipeline.

10. Finally, a few words about Sohio's conclusions on pages 9-10.

- (1) Despite the substantial aggregate revenues that Alaska may be receiving, the formula allocates inadequate taxable income and income tax revenue to Alaska. If income tax revenue were a correct reflection of Prudhoe earnings, other taxes and tax rates might be reconsidered.
- (2) Inclusion of Alaskan royalties is a distortion. Royalties outside are largely paid to private landowners (or Federal Government). These are as much a cost to companies. And they tend to average higher outside (15 per cent) than in Alaska (12 1/2 per cent).
- (3) The "over 20 per cent" of state income taxes allocated to Alaska is irrelevant. It's a function of relative tax rates. If Alaska's 9.4 per cent is higher than average (some states have no income tax, e.g., Texas), that's no reason to acquiesce in incorrect allocation.
- (4) Begs the question! The issue is not whether Alaska will receive "the full 9.4-per-cent rate" on that portion of the companies' taxable income which is allocated to the state under the Multistate Tax Compact. Of course it will. But whether the formula allocates taxable income to Alaska reasonably in line with the income actually generated in the course of oil production.

W. J. Levy Consultants Corp.
November, 1976

SCOMM

10:51

TO: The Honorable Randy Phillips
FROM: Gregg K. Erickson
Director of Research

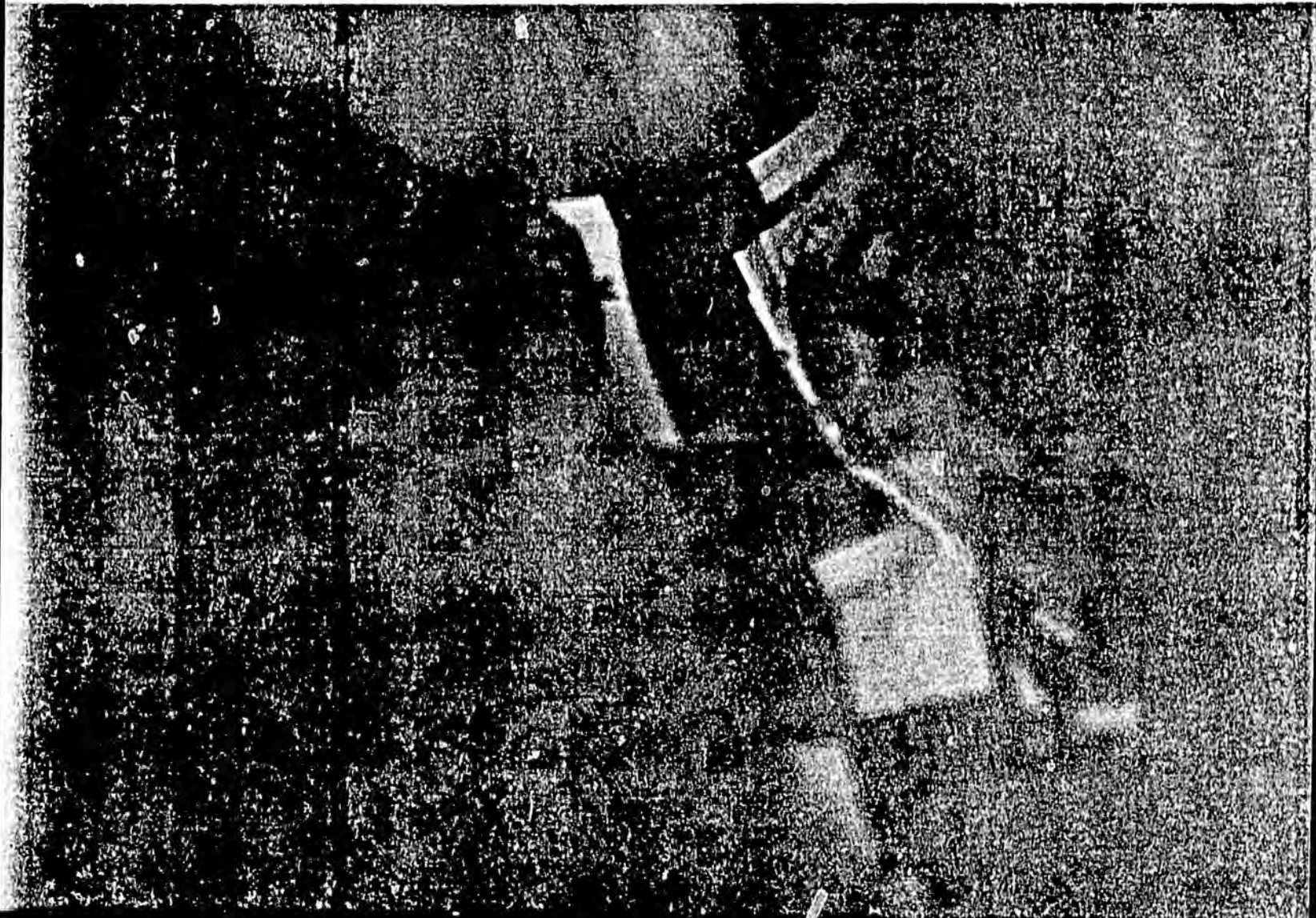
Please indicate your directions concerning future handling of the attached information, which you requested under WO# 6994 (Subject: Regan Statistics
Dealing with Future Approval of Municipal Budgets.)

- ☒ I approve the release of this information to any requesting party.
- ☐ I approve the release of this information to any requesting party, but please remove my name.
- ☐ I do not approve the release of this information; maintain confidentiality.
- ☐ I approve the release of this information under the following conditions:

April 4th 1979
Date

R. Lee E. Reed
Signature

LA-R-2 (Rev. 3/6/79)



April 4, 1979

MEMORANDUM

SUBJECT: Oregon Statutes Dealing with Voter Approval of Municipal Budgets (W.O.#6994)

TO: The Honorable Randy Phillips

FROM: O. Alexander Hoke
Policy Analyst

O. Alexander Hoke

With respect to your request for a survey of Oregon statutes dealing with voter approval of any increases in municipal budgets, please see copies of these statutes and a section from the Oregon Constitution attached to this memorandum. Article XI, Sec. 11 of the Oregon Constitution limits the taxing power of the state, any county, municipality or other taxing district to a level defined by that taxing unit's tax base with an exception for taxes levied "for the payment of bonded indebtedness or interest thereon." The tax base is defined as either an amount no more than 6% above any of the levels of taxation for the previous three years or an amount approved by a majority of legal voters as the new tax base.

Oregon Statutes 310.310 through 310.402 describe the procedures by which the voters of any taxing unit may elect to increase their tax base. ORS 310.330 provides that the governing body of a taxing unit may, upon determining the necessity of a tax base increase, call for a special election on the question of this tax base increase, stating on the ballot the reasons for the increase and the amount of the increase. ORS 310.385 permits the taxing district to print on the ballot an explanation of the question in not more than 150 words, so long as the explanation is "plainly worded and factual" and avoids the use of technical terminology as far as possible. Moreover, "the explanation shall not advocate a yes or no vote on the question," and shall identify in dollars and cents the amount by which the level of taxation before the voters differs from the tax level of the previous year if such difference exists. Subsection 5 of ORS 310.395 states that, should the level of taxation approved by the voters generate higher revenue than was estimated, "the excess collections above that estimate shall be considered a budget resource for the levy fund in the next fiscal year...."

Please inform us if we can be of further assistance in this matter.

OAH:dh

Attachments *H*

H. In word order file.

LEGISLATIVE AFFAIRS AGENCY

MEMORANDUM

TO: The Honorable Russ MeekinsFROM: Gregg K. Erickson
Director of ResearchPlease indicate your directions concerning future handling of the attached information, which you requested under WO# R-49 (Subject: _____)Effect of Proposed 6% Raw Fish Tax on Bottomfish Development

- ☒ I approve the release of this information to any requesting party.
- ☐ I approve the release of this information to any requesting party, but please remove my name.
- ☐ I do not approve the release of this information; maintain confidentiality.
- ☐ I approve the release of this information under the following conditions:

4/9/79
DateRuss Meekins
Signature

STATE OF ALASKA THE LEGISLATURE

LEGISLATIVE AFFAIRS AGENCY

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

April 7, 1979

MEMORANDUM

SUBJECT: Effect of Proposed 6% Raw Fish Tax on Bottomfish Development. (W.O.#R-49)

TO: The Honorable Russ Meekins
ATTN: Mike Doogan and John Crandall

FROM: Jack Kreinheder JK
Policy Analyst

Summary

If the estimates of costs and revenues contained in the Arthur D. Little, Inc. bottomfish study are accurate or only slightly optimistic, the impact of the tax increase on bottomfish development should be minimal, but if the estimates are substantially in error and bottomfishing is only marginally profitable at the existing 1% tax rate, then the tax increase could significantly inhibit development of the industry. Because the accuracy of the A.D. Little estimates cannot be readily determined and because of the paucity of other bottomfish data, no definite conclusion on the absolute impact of the tax can be made at this time.

The effect of the tax on investment decisions regarding off-shore versus on-shore processing of bottomfish is somewhat clearer. It now appears that any vessel which relies on Alaska ports for off-loading of fish, supplies, or services will probably be liable for the raw fish tax even if the fish was processed outside the three mile limit. Thus, only a Seattle or Canada-based processing ship could avoid the tax and the greater investment and operating costs of such an operation almost certainly outweigh the 6% tax differential. Even if Alaska-based floating processors were not liable for the tax, it is doubtful if the tax savings over a shore-based facility would compensate for the substantially larger investment costs needed for a floating processor.

You have asked that we investigate the impact of the proposed 6% raw fish tax (HB 306) on the development of the bottomfish industry. This memo addresses two principal questions: (1) how will the tax increase

affect the profitability of bottomfishing, and consequently, the rate of development of the industry; and (2) will the tax increase have a significant impact on investment decisions with regard to off-shore versus on-shore processing of the bottomfish resource. Our conclusions are necessarily somewhat tentative because of the many uncertainties surrounding bottomfish development, but we hope that our discussion of the issues and variables involved will provide some insight into the matter.

We have based much of our analysis on the Arthur D. Little, Inc. study of bottomfish development prepared for the Office of the Governor during fall of 1978. Many observers feel that the A.D. Little study is overly optimistic in its evaluation of bottomfish feasibility. Nevertheless, the study is virtually the only source of quantitative information available within the time frame of this brief analysis, and its alleged optimism does not completely negate its value as a focus of our discussion. Even though the study may over-estimate the profitability of bottomfish harvesting and processing, we feel that the A.D. Little figures allow us to provide a reasonable estimation of the relative impact of the increased raw fish tax and to clarify the important variables involved. It is important to stress the term relative impact; we can estimate with a fair degree of confidence the effect of the tax increase on profits and prices given certain conditions, but we cannot determine the absolute impact of these changes on bottomfish development because of the uncertainties involved. Were we to take A.D. Little's

figures as the unequivocal truth, we could make such a determination, but because the figures are only estimates and because of the paucity of other data, we can provide only qualified conclusions concerning the impact of the tax increase. Having made these caveats clear, we will now discuss our findings.

One factor which plays an important role in the impact of the proposed raw fish tax increase is that the market for processed bottomfish is an international one and Alaska processors must accept the prevailing market price if they are to sell their product. Thus, bottomfish processors would be unable to pass on the increased tax in the form of higher prices to consumers. The incidence of the tax would therefore fall on the processors, the fishermen, or both. The tax burden would most likely be shared to some extent between the processors and fishermen as a slight reduction in ex-vessel bottomfish prices.

A second important factor is that although bottomfishing is a low unit-value operation and the 5 percent tax increase amounts to only an additional one-half to one cent per pound tax, the product yield in bottomfish processing is low (22-32 percent of gutted fish weight), thus magnifying the effect of the tax on the profitability of bottomfish processing. Using A.D. Little's cost estimates for the expansion of an existing plant into bottomfish, we calculated that an increase in the raw fish tax from one percent to six percent would raise operating costs

by 3.63 percent and would reduce the before tax return on capital employed from 20 percent, an adequate profit margin, to 10 percent, an insufficient return by most market standards. In this calculation we assume that the cost of the tax increase was borne entirely by the processor. Tables 1-4, from the A.D. Little study with our calculations penciled in, illustrate the analysis. It is important to note that if the processor were able to reduce the price paid to fishermen for bottomfish by a weighted average of 0.92 cents per pound, the effect of the increased tax would be canceled out and costs and profits would remain unchanged. As an alternative, the processor could implement a double-shift operation and increase the profit margin slightly despite the increased tax. Pursuing this alternative would require a larger and more stable supply of bottomfish, a larger work force, etc., and would probably not be a viable alternative in the initial stages of bottomfish development.

We next analyzed the effect of the tax increase on fishermen under the assumption that they would bear the entire tax burden. The impact of the increase on fishermen is not as severe as on processors, but given the risk of bottomfishing, the effect could be significant. Based on A.D. Little's figures for a new 86 foot vessel and a weighted average ex-vessel price of 15 cents per pound, the before tax return on capital employed would be reduced from 15.9 percent to 13.5 percent by the tax increase. In addition, the crew's share would be reduced by 9 percent because of the lower catch value. Tables 5 and 6 demonstrate this calculation.

Although the calculations discussed above suggest that the tax increase could have a considerable, and possibly prohibitive impact on bottomfish processors, and a lesser but still significant impact on boat owners and fishermen, the impacts are extremely dependent on the ex-vessel prices paid for bottomfish. According to the A.D. Little figures, the impacts of the tax increase would not be as severe as those described above because there is a sufficient gap between the fishermen's minimum fish prices and the processors' maximum fish prices for most vessel/processor combinations. Table 7 demonstrates this point. The "X" symbols denote economically feasible vessel processor combinations. The two circled combinations are cases in which the processor could not lower the ex-vessel price enough to make up for the tax increase without going below the fishermen's minimum price. The table displays maximum and minimum prices; in reality, the fishermen and processors would be dealing with the same price and one or both would have to bear the cost of the tax increase, but in all except the two circled cases the fishermen and processors would still be making at least the 15.9% and 20% return, respectively, that was used by A.D. Little as an economically feasible return. In other words, the tax would still cause the processor an approximate 10% profit loss if he had to bear the entire tax increase, but even after the 10% loss, the return to capital would still be at least 20% in all but the two circled cases.

To illustrate this point, let us look at the expanded plant, single shift processor and the new 86 foot vessel used in the earlier discussion of the tax increase's impact. As shown in Table 7, the processor's

maximum ex-vessel fish price for commercial feasibility is 18.4 cents per pound. The minimum price for the fisherman using a new 86 foot vessel is 14.5 cents per pound. In practice, the actual price would fall somewhere between the two values and would depend on the relative bargaining positions of the fishermen and processors. In this example we will use the midpoint price of 16.5 cents per pound. At this price, the processor would be making a before tax return on capital employed of 40.6 percent, using the A.D. Little figures and a 1% raw fish tax rate. If the tax were increased to 6% and the processor bore the entire tax cost, the return on capital would be reduced to 31.9%, a substantial decrease but still well above the 20% deemed economically attractive by A.D. Little. If some of the tax burden were passed on to the fishermen in the form of slightly lower ex-vessel fish prices, the impact would be even less and the fishermen would still be above their minimum price and profit margin.

An analysis of the impact of the tax increase based on the A.D. Little figures thus leads to the conclusion that although the impact of the increase would be significant, particularly for the processing sector, the impact would not be sufficient to substantially affect the economic feasibility of bottomfish development. The critical condition upon which this conclusion depends is that the fishermen's minimum prices must be sufficiently lower than the processors' maximum prices to allow the tax increase to be absorbed by one or both of the two groups. The difference need not be large; one-half to one cent, depending on the

price, is a sufficient margin, but if the margin is not there, the tax increase could make bottomfish processing an unattractive proposition. If A.D. Little's estimates are accurate or only slightly optimistic, the impact of the tax increase should be minimal, but if the estimates are substantially in error and bottomfish development is only marginally profitable at the 1% tax rate, then the tax increase could significantly inhibit such development.

Off-shore Versus On-shore Processing

The effect of the tax increase on investment decisions regarding off-shore versus on-shore processing is an easier question to address, although some uncertainties do exist. Concern has been expressed that a 6% tax on bottomfish would give processors an incentive to process the bottomfish resource outside of the state's jurisdiction in order to avoid the tax. Off-shore processing could negate many of the potential benefits of bottomfish development, such as resident and year-round employment, higher incomes, expanded local tax bases, etc., in addition to the loss of tax revenue that the state would otherwise obtain from on-shore processing.

The legal applicability of the raw fish tax to off-shore processing is still somewhat uncertain, but some progress has been made on this problem. Jack Chenoweth of the Legal Services Division has studied this question and was able to clarify the legal issues involved. It is his

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opinion that a ship which processes fish beyond three miles and has no contact with Alaska ports (i.e., a Seattle-based catcher/processor) cannot be held liable for the tax. However, Chenoweth believes that if processing is done at sea, but the ship delivers the finished product or procures supplies or services in Alaska, the processor could be held accountable for the processing tax. The necessary condition is that the state or its local governments must be instrumental in providing the means by which the processor procures supplies or services necessary to maintain the vessel and crew or to transport the product to market. Conceivably, the use of a city or state dock or roads would fulfill this condition.

It thus appears that we can rule out the possibility of processors avoiding the tax by towing a barge just outside the three mile limit and conducting processing operations there. As long as the product was off-loaded or supplies were obtained in an Alaska port, it appears that the processor would be liable for the tax. Only by basing the operation entirely outside of the state could a floating processor avoid tax liability. This would raise both capital investment and operating costs, for the vessel would need to be of much sounder construction in order to negotiate open seas during all seasons and would have to return to the home port to deliver every load of processed fish. It is extremely doubtful whether the six percent tax differential would justify the higher costs needed to construct and operate such a vessel.

A.D. Little evaluated the economic potential for catcher/processors and floating processors in their bottomfish study. Analyses were made for a Seattle-based catcher/processor, an Alaska-based catcher/processor, and an Alaska-based floating off-shore processing plant. Of the three analyses, only the first is directly pertinent to this discussion, because the other two operations would probably be subject to the Alaska processing tax. However, we shall discuss all three of the analyses to emphasize our point.

A.D. Little estimated that a new Seattle-based catcher/processor would require an investment of \$22 million and would yield a before tax return on investment of only 4.9%. Acquisition and outfitting of a used vessel could possibly reduce the initial investment expense, but the cost would have to be below \$6 million in order for the return to capital to reach the 20% rate which A.D. Little estimated for shore-based processors. Thus it is unlikely that a 6% tax advantage would cause investors to favor an out of state catcher/processor operation over a shore-based facility.

Even if the raw fish tax were not applied to an Alaska-based catcher/processor, the 6% tax differential would not have a significant impact on this investment option, at least according to the A.D. Little figures. At a 6% tax rate, such an operation would yield a before tax return to capital employed of 7.5%, while only a 7.9% return would be realized if the processor paid no raw fish tax at all. Similarly, a floating processor is not likely to be a viable alternative to an on-shore plant

even if the floater avoids the 6% tax. Although the floater could yield a 10% greater return on capital if it avoided the tax and investment requirements were the same as a shore-based facility, it is almost certain that the greater investment necessary for a seaworthy floating processor would cause floaters to have a lower actual return.

Conclusion

In our judgment, an increase in the raw fish tax rate from one percent to six percent would not have a significant impact on investment decisions regarding off-shore bottomfish processing versus processing at on-shore facilities. But the increase could substantially affect the development of the bottomfishing industry if processors and fishermen would otherwise make only the minimum return on their investment needed to justify their operation. According to the Arthur D. Little bottomfish study, the profit margin of processors and fishermen will be large enough that the added tax cost will not significantly alter the attractiveness of bottomfish harvesting and processing.

However, concern has been expressed that the A.D. Little study is too optimistic in its estimates. There is some margin for error, but if A.D. Little's analysis is overly optimistic and bottomfishing is in fact only marginally profitable, then the tax increase would indeed have a strong negative impact. Unfortunately, verification of the A.D. Little estimates is not immediately possible and we can therefore make no definite conclusion concerning the actual impact of the tax increase.

Hon. Russ Meekins

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April 7, 1979

The uncertain risk of impeding investment in the bottomfish industry must be weighed against the negative aspects of tax subsidies cited in John William's HB 306 memo of March 16. We hope that our comments are helpful.

JK:dh

Attachments

TABLE 1

COMMERCIAL FEASIBILITY: EXPANSION OF EXISTING PLANT

- The total investment to add bottomfish processing capabilities to an existing plant approximates \$2.2 million.

- Two high-speed automatic filleting lines for pollock	\$1,140,000
- One slow-speed automatic filleting line for cod	610,000
- One hand filleting line for flatfish	<u>410,000</u>
Total Investment for Processing Equipment	\$2,160,000

EXAMPLE: TOTAL INVESTMENT FOR TWO HIGH-SPEED
AUTOMATIC FILLETING LINES FOR POLLOCK

Equipment	
2 Headers/Gutters	\$ 58,000
4 Fillet/Skinning Machines	104,000
2 Rotary Washers	20,000
2 Deboners	16,000
4 Plate Freezers	100,000
1 Blast Freeze Tunnel	90,000
2 Forklift Trucks	30,000
Belts, Conveyors, Waste Disposal	34,000
Freezer Forms, Ancillary Equipment	10,000
Spare Parts	28,000
Erection	20,000
Freight	54,000
Engineering and Construction	30,000
Contingency	<u>56,000</u>
Total Equipment Cost	\$ 710,000
Working Capital (45 days)	<u>430,000</u>
Total Investment	\$1,140,000

Source: Arthur D. Little, Inc., estimates.

TABLE 2

COMMERCIAL FEASIBILITY: EXPANSION OF EXISTING PLANT

- Such a processing plant would have operating costs of \$3426 per hour on a single-shift basis:

- Two high-speed automatic filleting lines for pollock	\$1,542/hour	1598
- One slow-speed automatic filleting line for cod	1,014/hour	1051
- One hand filleting line for flatfish	870/hour	902
Total Operating Costs	\$3,426/hour	
	\$3,551	

Op. costs ↑ by 3.63%

EXAMPLE: TOTAL OPERATING COSTS PER HOUR FOR TWO HIGH-SPEED AUTOMATIC FILLETING LINES FOR POLLOCK

Raw Material - (12.3¢ per pound) X (9,070 pounds per hour)	\$1,116
State Tax on Raw Material (1%) (6%)	11 (67)
Labor - (\$8 per hour) X (36 workers)	288
G&A - (\$40,000 + 0.13 X \$1,140,000) ÷ 2,000 hours	94
Utilities - \$36,000 ÷ 2,000 hours	18
Maintenance - \$30,000 ÷ 2,000 hours	15
Total	\$1,542 1542

at 6% tax, 4.34% of
operating costs are fish taxes.
at 1%, 0.72% " " "
increase of 3.63%

Assumptions:

- Raw material (pollock) cost of 12.3¢ per pound (ex-vessel price). Input is gutted fish with an average weight of 0.84 pounds (1 pound round weight).
- Input processing rate of 9,070 pounds of gutted fish per hour.
- Direct labor force of 36 workers at a labor cost of \$8 per hour.
- Plant operates as a single-shift operation of 2,000 hours per year.
- General and Administrative (G&A) expenses (including insurance, supervisory personnel) are \$40,000 per year plus 13% of the investment.
- Utilities costs are \$36,000 annually.
- Maintenance costs are \$30,000 per year.

Source: Arthur D. Little, Inc., estimates.

TABLE 3

COMMERCIAL FEASIBILITY: EXPANSION OF EXISTING PLANT

- On an annual basis this plant could earn \$437,000 net profit before taxes, for a before tax return of capital employed of 20%:

	Net Profit Before Tax	Before Tax Return on Capital Employed
- Two high-speed automatic filleting line for pollock	\$229,000	20% 10.26%
- One slow-speed automatic filleting line for cod	123,000	20 10.3%
- One hand filleting line for flatfish	85,000	21 10.54%
Total	\$437,000	20% 11.0%

EXAMPLE: ANNUAL NET PROFIT BEFORE TAX
FOR TWO HIGH-SPEED AUTOMATIC FILLETING LINES FOR POLLOCK

Sales

Finished Product —

(0.32 yield) X (9,070 pounds per hour) X
 (0.99 allowance for inventory loss) X
 (\$0.578 per pound selling price) X (2,000 hours) \$3,322,000

Waste —

(0.68 loss) X (9,070 pounds per hour) X
 (\$0.005 per pound selling price) X (2,000 hours) 62,000

Total Annual Sales \$3,384,000

Less:

Hourly Costs (\$1,542 per hour) X (2,000 hours) (\$3,084,000) 3,196,000
 Depreciation on Equipment (10 years) (71,000)
 Net Profit Before Taxes \$ 229,000 117,000
 Before Tax Return on Capital Employed 20% 10.26%

Note: Fillet yield is 32% of input weight. The balance (68%) is waste which can be sold.

Source: Arthur D. Little, Inc., estimates.

TABLE 4

COMMERCIAL FEASIBILITY: EXPANSION OF EXISTING PLANT

- Using 20% as the minimum acceptable return on capital employed, the maximum ex-vessel prices an expanded plant processor could pay a fisherman are:

	Maximum Processor Ex-vessel Single-shift Operations	Price per Pound for Gutted Bottomfish: Expanded Plant Double-shift Operation
Weighted Average*	\$0.184	\$0.203
Species Maximums:		
Pollock	0.123	0.138
Cod	0.286	0.319
Miscellaneous Bottomfish	0.309	0.329

*Weighted average based upon a mix of 65% pollock, 15% cod, and 20% miscellaneous bottomfish.

Source: Arthur D. Little, Inc., estimates.

TABLE 5

COMMERCIAL FEASIBILITY: VESSEL ECONOMICS

- For an average 4.8-day trip, the net revenues (before annual costs) would be \$3,750.

SAMPLE TRIP SETTLEMENT SHEET

Trip Revenues

Gross Stock¹

Less:

Fuel²Ice³Provisions⁴

\$1,705

320

303

\$2,328

Net Stock

Crew Share (7% per man)⁵

Boat Share

Less:

Gear Replacement and Repair⁶

Captain's Bonus @ 10%

\$ 223 223

442 405

\$ 665 628

Net Revenues per Trip (before annual costs)

6% tax = 507.60

\$8,460
- 507.60
7,952.40

\$6,132 (5,624)

\$1,717 (1,575)

\$4,415 (4,049)

\$3,750 (3,421)

1. Gross Stock - 56,400 pounds at \$0.15/pound (weighted average ex-vessel price).

Species	Percentage of Catch	Pounds of Catch	Assumed Ex-vessel Price per Pound	Gross Stock
Pollock	65%	36,660	\$0.10 (guttet)	\$3,660
Cod	15	8,460	0.22 (gutter)	1,861
Miscellaneous Bottomfish	20	11,280	0.26 (whole)	2,933
Total	100%	56,400		\$3,454 or \$8,460

2. Fuel: 3,707 gallons at \$0.46 per gallon.

3. Ice: 20 tons at \$16.00 per ton.

4. Provisions: \$13.00 per man per day, including 1 day in port, total 5.8 days.

5. Crew share at 7%: (\$6,132 x 0.07) = \$429 per man, or \$1,717 for all four crew members (captain included).

6. Gear replacement and repair: \$56.00 per day fishing.

Assumed costs based upon current prices and the characteristics of the boat and the trip.

TABLE 6

COMMERCIAL FEASIBILITY: VESSEL ECONOMICS

- On an annual basis this 86-foot vessel would earn \$97,700 net profit before taxes, for a before tax return on capital employed of 15.9%.

ANNUAL EARNINGS

Trips per Year = 44.5 trips¹Boat's Net Revenues²

\$167,000 \$152,235

Less Annual Costs:

Insurance ³	\$21,400
Maintenance and Repair ⁴	23,900
Depreciation ⁵	24,000
	<u>\$69,300</u>

Net Profit Before Taxes

\$ 97,700

Before Tax Return on Capital Employed

15.9%

82,935
13.5% (2.4% less)

Annual Wages

Crew (each)⁶

\$19,100 17,522

Captain⁷

38,800 35,545

Annual Days at Sea: 215⁸

1. Trips per Year: 365 days, less 61 days (2 months) for maintenance and repair, divided by 4.8 days per trip plus 2 days per trip in port, or $(365-61) \div (4.8 + 2) = 44.5$ trips.

2. Boat's Net Revenues: \$3,750 net revenues per trip for 44.5 trips per year.

3. Insurance: assumed annual cost.

4. Maintenance and Repair: \$111 per day at sea (215 days).

5. Depreciation: based upon replacement value of vessel and gear in today's market.

6. Crew Wages: crew share of boat revenues per trip (\$429) times 44.5 trips per year.

7. Captain Wages: annual crew wage (19,100) plus Captain's Bonus per trip (\$442) times 44.5 trips per year (\$19,700).

8. Annual Days at Sea: 365 days, less 61 days for maintenance and repair, less 89 days in port " (4.5).