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: Oregon Statutes Dealing with Voter 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

Randall E. Phillips
Signature

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

April 4, 1979

M E M O R A N D U M

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

TO: The Honorable Randy Phillips

FROM: O. Alexander Hoke
Policy Analyst

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

LEGISLATIVE AFFAIRS AGENCY **MEMORANDUM**

TO: The Honorable Russ Meekins

FROM: Gregg K. Erickson
Director of Research

Please 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 Russ Meekins
Date Signature

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

STATE OF ALASKA
THE LEGISLATURE

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

LEGISLATIVE AFFAIRS AGENCY

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 wou'd 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 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.

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	410,000
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	164,000
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	56,000
Total Equipment Cost	$ 710,000
Working Capital (45 days)	430,000
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 S3426 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	1598

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% (10%)

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:		
1598 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
Specie 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

6% tax = 507.60

Trip Revenues		
Gross Stock[1]		$8,460 - 507.60 7952.40
Less:		
Fuel[2]	$1,705	
Ice[3]	320	
Provisions[4]	303	
	$2,328	
Net Stock		$6,132 (5,624)
Crew Share (7% per man)[5]	$1,717 (1575)	
Boat Share		$4,415 (4,049)
Less:		
Gear Replacement and Repair[6]	$ 223 223	
Captain's Bonus @ 10%	442 405	
	$ 665 628	
Net Revenues per Trip (before annual costs)		$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 (gutted)	$3,660
Cod	15	8,460	0.22 (gutted)	1,861
Miscellaneous Bottomfish	20	11,280	0.26 (whole)	2,933
Total	100%	56,400		$8,454 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.

Assumed costs based upon current prices and the characteristics of the boat and the trip. (notes 2–4)

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.

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 trips[1]				
Boat's Net Revenues[2]		$167,000	$152,235	
Less Annual Costs:				
Insurance[3]	$21,400			
Maintenance and Repair[4]	23,900			
Depreciation[5]	24,000			
	$69,300			
Net Profit Before Taxes		$ 97,700	82,935	
Before Tax Return on Capital Employed		15.9%	13.5%	(2.4% less)
Annual Wages				
Crew (each)[6]	$19,100	17,522		
Captain[7]	38,800	35,545		
Annual Days at Sea: 215[8]				

---

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) ÷ (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 [illegible] 4.5).

TABLE 7

SUMMARY

- In general there is compatibility between the fisherman's minimum price per pound required to achieve acceptable earnings and the onshore processor's maximum raw product cost constraints, indicating that the industry is commercially feasible and attractive.

PRICE COMPATIBILITY: FISHERMAN'S REQUIREMENTS VERSUS ONSHORE PROCESSOR'S CONSTRAINTS

			Onshore Processor — Maximum a Processor Can Pay, per Pound*			
			New Plant		Existing, Expanded Plant	
Fisherman			Single Shift	Double Shift	Single Shift	Double Shift
Minimum Price per Pound Required*			$0.127	$0.170	$0.184	$0.203
		with 6% tax-	0.121	0.162	0.1748	0.194
Existing Fleet -- Converted for Bottomfish						
86-foot Shrimper:	Historically Low Average Earnings	$0.083	X	X	X	X
	Historically High Average Earnings	0.124	X	X	X	X
122-foot Crabber:	Historically Low Average Earnings	0.092	X	X	X	X
	Historically High Average Earnings	0.467				
160-foot Crabber:	Historically Low Average Earnings	0.071	X	X	X	X
	Historically High Average Earnings	0.290				
New — Combination Vessel						
86 foot		$0.145		X	X	X
122 foot		0.175			X	X
160 foot		0.250				

*Weighted average of species.
X = Indicates that a fisherman's minimum required price per pound is below the maximum price per pound a processor can pay.

- Floating offshore processing plants and both Alaska-based and Seattle-based catcher/processors are financially unattractive due to:
  - High investment
  - Low returns on capital employed

LEGISLATIVE AFFAIRS AGENCY

MEMORANDUM

TO: The Honorable Charlie Parr

FROM: Gregg K. Erickson
Director of Research

Please indicate your directions concerning future handling of the attached information, which you requested under WO# 6495 (Subject: Fish Processing Establishments in the Unorganized Borough).

[✓] I approve the release of this information to any requesting party.

[ ] I do not approve the release of this information; maintain confidentiality

[ ] I approve the release of this information under the following conditions:

2/17/79
Date

Charlie Parr
Signature

LA-R2

STATE OF ALASKA
THE LEGISLATURE
LEGISLATIVE AFFAIRS AGENCY

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

M E M O R A N D U M

February 15, 1979

SUBJECT: Fish Processing Establishments in the Unorganized Borough (W.O. #6495)

TO: The Honorable Charlie Parr

FROM: O. Alexander Hoke
Policy Analyst

O. Alexander Hoke

Regarding your request for an estimate of the number of fish processing establishments in the unorganized borough, please note the attached listing of frozen fish processors and canners operating in Alaska. This listing, supplied by the Department of Fish and Game, is derived from a filing of the 1977 and 1978 annual reports and Intent to Operate reports filed by processors and canners. Accompanying the list of fish processors and canners is an alphabetical index of villages and communities within the unorganized borough, which should assist you in identifying those processors operating within the unorganized borough.

Please notify us if we can be of further help.

OAH:jm
Attachment

FROZEN FISH PROCESSORS BY REGION (From 1977 Annual Reports)

OPERATION AREA	COMPANY NAME	PLANT LOCATION
Southeast	Cordova Bay Fisheries	Hydaburg
	Dry Bay Fish Company	Alsek
	Engstrom Brothers	Douglas
	Juneau Cold Storage	Juneau
	New England Fish Company	Ketchikan
	Pelican Cold Storage Company	Pelican
	E.C. Phillips & Son, Inc.	Ketchikan
	Reliance Shrimp Company	Wrangell
	Sitka Sound Seafoods	Sitka
	Thompson Fish Company	Hoonah
Cook Inlet	Alaska Gourmet Inc.	Anchorage
	Alaska Sea Products	Seward
	Dan's Cold Storage	Ninilchik
	Ed's Kasilof Seafoods	Kasilof
	Keener Packing Company	Soldotna
	Pacific Pearl Seafoods	Seldovia
	R-Lee Seafoods Inc.	Kenai
	S A Packers	Seldovia
	Sagaya Alaska Seafoods Ltd.	Homer
	Salamatof Seafoods	Kenai
	Saratoga Fish	Anchorage
	Seward Fisheries	Homer
	Seward Fisheries	Ninilchik
	Whitney Fidalgo Seafoods Inc.	Anchorage
	Whitney Fidalgo Seafoods Inc.	Homer
Prince William Sound	Bayside Cold Storage	Cordova
Kodiak	Alaska Packers Association	Kodiak
	EAC/Americo Ltd.	Kodiak
	Pan Alaska Fisheries (2 plants)	Kodiak
	Swiftsure Alaska Inc.	Kodiak
	Ursin Seafoods Inc.	Kodiak
Chignik	Alaska Packers Association	Chignik

1978 FRESH/FROZEN FISH PROCESSORS BY REGION (FROM ANNUAL REPORTS). (Cont.)

OPERATION AREA	COMPANY NAME	PLANT LOCATION
Aleutians	Pan-Alaska Fisheries	Unalaska
	Pacific Pearl Seafoods	Unalaska
	Eastpoint Seafood Company	Dutch Harbor
	Sea-Alaska Products INc.	Dutch Harbor
	Universal Seafoods Ltd.	Dutch Harbor
	Whitney-Fidalgo Seafoods, Inc.	Dutch Harbor
Artic-Yukon-Kuskokwim	Golovin Fish Processing Co-op	Golovin
	Salmon Products Inc.	St. Mary's
	Yukon Delta Fish Market Co-op	Emmomak

1978 comp[illegible]ed from the 1977 Annual Report[illegible] · Total Statewide 26

FRESH/FROZEN PROCESSORS, BY REGION (FROM 1978 INTENTS TO OPERATE)

OPERATION AREA	COMPANY NAME	PLANT LOCATION
Southeast	Underwater Fisheries	Lodge Island
	Yakutat Fisherman's Co-op Inc.	Yakutat
Cook Inlet	Alaska Big Three Fishery	Anchorage
	Alaska Seafood & Meat Brokers	Anchorage
	*C Foods	Homer
	Dragnet Fisheries	Kenai
	Icy Seas Fisheries	Kasilof
	Indian Valley Fish Processors	Indian
	J.L.S. Services	Kenai
	Martin's Seafoods Inc.	Anchorage
	Midgulf Seafoods Inc.	Anchorage
	Osmar's Ocean Specialities	Clam Gulch
	Sparky's Seafoods	Seldovia
	Terrell Schenck & Assoc. Inc.	Kasilof
Bristol Bay	Monte Handy Enterprises	Pilot Point
	New England Fish Company	Pederson Point
Alaskan Peninsula	Peter Pan Seafoods	Port Moller
Aleutians	Pacific Pearl Seafoods	Dutch Harbor
	Pacific Shrimp Company	Unalaska
	Trident Seafoods Corp.	Akutan
	Wakefield Seafoods Inc.	Unalaska
Artic-Yukon-Kuskokwim	Alaska Research Company	Sleetmute
	Interior Fisheries	Manley Hot Springs
	St. Mary's Native Corp.	St. Mary's
Kodiak	C & C Fisheries	Pleasant Harbor
	The Happy Clam Seafood	Kodiak

*These processors operated in 1977, but have not filed Annual Reports as of , so they have been entered here for the sake of accuracy.

CANNERIES, BY REGION FROM 1977 ANNUAL REPORTS

OPERATION AREA	COMPANY NAME	PLANT LOCATION
Southeast	Nefco-Fidalgo Packing Co.	Ketchikan
	Southeast Seafood Processors	Klawock
	Ward Cove Packing Co.	Ketchikan
Prince William Sound	Blakes Canning	Cordova
	Glacier Packing Co.	Cordova
	Odiak Smokeries	Cordova
Cook Inlet	Whitney-Fidalgo Seafoods, Inc.	Ship Creek
	Whitney-Fidalgo Seafoods, Inc.	Port Graham
Kodiak	East Point Seafood Co.	Kodiak
	Whitney-Fidalgo Seafoods, Inc.	Uyak Bay
Arctic-Yukon-Kuskokwim	Azachorak Corp.	Mountain Village
Alaskan Peninsula-South	Peter Pan Seafoods	Squaw Harbor
Bristol Bay	Diamond E Fisheries	Egegik
	Nelbro Packing Co.	Naknek
	Peter Pan Seafoods	Dillingham
	Queen Fisheries Inc.	Nushagak
	Red Salmon Co.	Naknek
	Whitney-Fidalgo Seafoods, Inc.	Naknek

CANNERIES BY REGION FROM 1978 INTENTS TO OPERATE

OPERATION AREA	COMPANY NAME	PLANT LOCATION
Southeast	Keku Canning Co.	Kake
	Whitney-Fidalgo Seafoods, Inc.	Ketchikan
Cook Inlet	Tidewater Packing Co.	Anchorage
Bristol Bay	AK Packers Assoc., Inc.	South Naknek
	New England Fish Co.	Egegik

1977 Total Statewide= 30

CANNED & FROZEN PROCESSORS, BY REGION (from 1977 ANNUAL REPORTS)

OPERATION AREA	COMPANY NAME	PLANT LOCATION
Southeast	Alaska Glacier Seafood CO.	Petersburg
	Annette Island Packing Co.	Metlakatla
	Excursion Inlet Packing Co.	Excursion Inlet
	Harbor Seafoods, Inc.	Wrangell
	Icicle Seafoods, Inc.	Petersburg
	Petersburg Processors	Petersburg
	Whitney-Fidalgo Seafoods, Inc.	Petersburg
Cook Inlet	Columbia Wards	Kenai
	Kenai Packers	Kenai
	Seward Fisheries	Seward
Bristol Bay	Bumble Bee Seafoods	South Naknek
	Columbia Wards Fisheries	Ekuk
	Surfline Seafoods	South Naknek
	Togiak Fisheries	Togiak
Prince William Sound	Morpac, Inc.	Cordova
	N. Coast Seafood Processors	Cordova
	N. Pacific Processors	Cordova
	St. Elias Ocean Products	Cordova
Kodiak	B&B Fisheries	Kodiak
	Columbia Wards	Kodiak
	Columbia Wards	Alitak
	Columbia Wards	Port Baliey
	Kodiak King Crab, Inc.	Kodiak
	Pacific Pearl Seafoods	Kodiak (2 Plants)
	Whitney-Fidalgo Seafoods, Inc.	Kodiak
Alaska Peninsula	Pacific Pearl Seafoods	Sand Point
	Peter Pan Seafoods	False Pass
	Peter Pan Seafoods	King Cove
Y K	Bering Sea Fisheries	Sunshine

Total Statewide = 7

CANNED & FROZEN PROCESSORS FROM 1978 INTENTS TO OPERATE

OPERATION AREA	COMPANY NAME	PLANT LOCATION
Kodiak	Alaska Pacific Seafoods	Kodiak
	East Point Seafood Co.	Kodiak
	New England Fish Co.	Kodiak
	North Pacific Processors	Kodiak
Cook Inlet	Fairmount Island Seafoods	Fairmount Island
Chignik	Alaska Packers Assoc., Inc.	Chignik
Prince William Sound	Farm-n- Sea of Alaska, Inc.	Valdez

W.O. 6495

Attachment

Computer printout listing

313 Alaska Villages &

Communities

LEGISLATIVE AFFAIRS AGENCY **MEMORANDUM**

TO: The Honorable Terry Gardiner

FROM: Gregg K. Erickson
Director of Research

Please indicate your directions concerning future handling of the attached information, which you requested under WO# 6839 (Subject: Social Security Contributions - HB 373).

[✓] I approve the release of this information to any requesting party.

[ ] I do not approve the release of this information; maintain confidentiality

[ ] I approve the release of this information under the following conditions:

March 16, 1979
Date

Terry Gardiner
Signature

LA-R2

STATE OF ALASKA
THE LEGISLATURE
LEGISLATIVE AFFAIRS AGENCY

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

Release requested

M E M O R A N D U M March 13, 1979

SUBJECT: Social Security Contributions - HB 373 (W.O. #6839)

TO: The Honorable Terry Gardiner

FROM: Ken Humphreys K.H.
Senior Policy Analyst

You have requested information on social security contributions for Alaska versus the United States as a whole.

We have estimated that the average full-year state employee earned $22,265 in 1978. Since employee contributions to social security in 1978 were set at 6.05 percent of wages and the taxable wage base was $17,700, the average full-year state employee would contribute the maximum of $1,070.85. For the U.S. as a whole, the average covered salary in 1977 was $9,779.44. If we adjust this figure upward by 10 percent to get an estimate of the 1978 average covered wage and multiply by 6.05 percent, we arrive at an average social security contribution of $648.39.

These are rough figures, but it is clear that, as you suspected, the average state employee in Alaska pays considerably more in dollar terms in social security contributions than an average wage earner in the U. S. as a whole. This is true despite the fact that, as a percentage of total payroll, full-year state employees in Alaska in 1978 paid a little over 4 percent while wage earners in the U. S. as a whole paid on the order of 5.5 percent of their total earnings.

The discrepancy between contributions made by the average full-year state employee in Alaska and the average worker in the Lower 48 can be expected to increase in future years. An average covered worker in the U. S. in 1979 is projected to earn $11,655 and would contribute 6.13 percent or $714.45. Assuming that the average full-year state employee earns $22,900 (the 1979 taxable wage base) or more in 1979, his contribution would be $1,403.77.

The fact that the social security benefit structure is highly skewed in favor of low income workers may be of greater significance than the difference in contributions. The following table shows benefits that would be paid to a hypothetical 65 year-old male worker retiring in

3/13/79

January of 1979 with three levels of covered earnings for 1956-1978. Benefits as a percentage of covered earnings are much higher under the lower wage assumptions.

Average Monthly Wage	Monthly Benefit	Benefit as a Percentage of Average Monthly Wage
$632.61 (Maximum $174,600 total covered earnings)	$503.40	80%
$474.46 ($130,950 total covered earnings)	$412.80	87%
$316.30 ($87,300 total covered earnings)	$314.90	100%

I hope this information is useful in your consideration of HB 373. Please let us know if you have further questions.

KH:jm

LEGISLATIVE AFFAIRS AGENCY **MEMORANDUM**

TO: The Honorable Ed Dankworth

FROM: Gregg K. Erickson
Director of Research

Please indicate your directions concerning future handling of the attached information, which you requested under WO# 5803 (Subject: Foreign Ownership of Alaska Lands).

* [X] I approve the release of this information to any requesting party.

[ ] 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
Date

S*/ Ed Dankworth
Signature

LA-R2

* Consent for release to any requesting party received 4/9/79 by phone from Cindy in Sen. Dankworths' office.

LEGISLATIVE AFFAIRS AGENCY

MEMORANDUM

TO: The Honorable TERRY MARTIN

FROM: Gregg K. Erickson
Director of Research

Please indicate your directions concerning future handling of the attached information, which you requested under WO# 5906 (Subject: Foreign Ownership of Alaska Lands)

(✓) 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:

4-6-79
Date

Terry Martin
Signature

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

STATE OF ALASKA
THE LEGISLATURE

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

LEGISLATIVE AFFAIRS AGENCY

MEMORANDUM

February 20, 1979

SUBJECT: Foreign Ownership of Alaska Lands (W.O. 5803)

TO: The Honorable Ed Dankworth*

FROM: Elke Kallab
Policy Analyst

Some time ago you requested that we look into foreign land ownership in Alaska. You mentioned a television program (60 Minutes), which apparently stimulated your inquiry and concern. This program dealt exclusively with recent foreign farm land acquisitions in California. It did not touch on other foreign real estate investments by non-resident aliens in this country, nor the conversion of agricultural land to other uses. Since very little land is in farm production in Alaska, I assumed that you were interested in foreign ownership of real estate in general. Unfortunately, data on foreign ownership of land--farm or otherwise/within the state or nationally--is almost totally lacking, and such information as exists is more often than not hearsay or conjectural. Nevertheless, I will summarize below the material to which I had access and which was available so you may gain an overview of the subject matter, skimpy as it may be, and also to provide you with information which would allow you to define the subject more explicitly, should you wish to pursue the matter further.

Foreign Ownership of Land in Alaska

There are no records in the state which would disclose the amount of land which is held by non-resident aliens. However, it is thought to be miniscule given the fact that so very little land is in "private" ownership as compared to state, federal, and Native ownership.

The legislature did enact a law in 1975 which requires that

> "(I)f the estate or interest in real property is created, transferred or declared to a non-resident alien or for the benefit of a non-resident alien, the instrument shall so state and shall contain the name and address of the alien." (AS 09.25.010(b))

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*This memo is being separately addressed to another legislator in response to an essentially identical inquiry.

The above information is then supposed to be filed with the commissioner of the Department of Commerce and Economic Development (AS 22.15.110(4)).

If this law were enforced, it should tell us the amount of land in Alaska which is owned by non-resident aliens, or for the benefit of non-resident aliens, at least since 1975. However, the law has not been enforced. We believe several reasons are responsible for this.

(1) No one in the Department of Commerce and Economic Development was aware that the law was on the books. The state recorder, who is now responsible for forwarding the information required under AS 09.25.010(b), similarly was unaware of the existence of her responsibility, but assured me that she had never seen such a disclosure. As a result of our conversation, she did write a letter to all recording offices in the state to inform them of the existence of the law. However, she also told them that it was not "...the duty of the Recorder to inforce [sic] this...."

(2) Alaska does not legally require the registration or recordation of land conveyances.

(3) Non-resident aliens have tools at their disposal, if they wish to use them, which would make it very difficult to track down their land ownership in Alaska. They could, for instance, employ local agents to buy the real estate for them; they could create a "dummy" corporation to front for them; or they could incorporate in such tax havens as Lichtenstein and the Netherlands Antilles, which do not require disclosure of shareholders. Technically, non-resident aliens would be in violation of Alaska law by employing the former two methods if they did not disclose non-resident alien ownership or participation, but it would be extraordinary for the state to expose such practices. (AS 10.05.250, AS 10.05.255(a)(13), AS 10.05.615(12), AS 10.05.675(5), AS 10.05.702(8)) Even if the state could get on top of the situation, the penalties and liabilities do not appear to be sufficiently severe to provide an incentive to comply with the law if a non-resident alien is determined to avoid compliance.

The difficulty and expense to track down non-resident alien landowners in the state, or the nation for that matter, would be enormous, and it is doubtful that the results would warrant it, considering the small amount of land in foreign ownership. The best estimates indicate that foreigners own less than one-quarter of one percent of America's land. A recent report by the U.S. Agriculture Department mentions that at current rates of investment "...it would take about 19 years for foreigners to acquire ownership of an additional one percent of U.S. farmland."

Essentially we must rely on the cooperation of non-resident aliens to provide us with the information we seek. It is in the interest of the landowner, domestic or foreign, to record his land transactions in order to protect his title to the property, and it is hoped that the recent passage of PL 95-460, and having made district recorders aware of the existing law in Alaska, would improve reporting of land owned by non-resident aliens.

PL 95-460

Last year Congress passed the Agricultural Foreign Investment Disclosure Act (PL 95-460) which requires that "(A)ny foreign person who acquires or transfers (or holds) any interest...in agricultural land shall submit a report to the Secretary of Agriculture...." The reporting requirements are quite extensive as regards to address and citizenship of the foreign person, place of business and the nature of the business if not an individual, the type of interest in the agricultural land that a foreigner acquires, the agricultural purposes for which the agricultural land is being used, the purchase price, acreage and legal description of the property, as well as any other information the secretary of Agriculture requires by regulation. Penalties for failure to submit a report, or submit one that is incomplete or misleading, are recoverable in a civil action for up to 25 percent of the fair market value of the interest in the agricultural land. The secretary of Agriculture is required to transmit to the President and to Congress an annual report regarding the effectiveness of the law as well as information obtained. The secretary is also required to submit to individual states the information he has received which involves agricultural land located in a particular state. The bill's definition of agricultural land includes land used for forestry or timber production purposes.

It is too early to assess the success of this program, but it has been stated that it would be most difficult to enforce if foreign owners of farm land in the United States decided not to cooperate.

The California Experience

Over the last several years, large tracts of California farm land have been acquired by foreigners. The buyers are usually Western Europeans, particularly Italians, Dutchmen, Frenchmen, and Germans, with a sprinkling of Japanese and Latin Americans. (Arabs, Iranians, Japanese and Chinese tend to invest in improved land, such as shopping centers, office buildings, co-op apartments, condominiums, petrochemical complexes, hotels, factories, etc.)

Among the motives cited as inducements for investing in California farm lands (and other lands in California and elsewhere, too) by foreigners are

- the weakening of the American dollar, which makes the investment attractive compared to their own farm land prices, which in Western Europe are roughly double the price of the same quality land in the United States;

- the anticipated world-wide food shortage, which makes investment in American farm land safe and desirable;

- political instability at home, which makes investments in real estate in the United States desirable, since it it assumed that this country will recognize private property rights for the foreseeable future, as well as the fact that America is seen as the last bastion of free enterprise.

In addition, foreign land owners often enjoy tax breaks not shared by American land owners. Such tax breaks are achieved by maintaining subsidiaries, or creating corporate entities, in countries which have reciprocal tax treaties with the United States, such as Lichtenstein and the Netherlands Antilles. Taxes which might not be paid by foreigners as result of such tax treaties are the 30 percent investment income tax, capital gains taxes, withholding taxes on dividends paid to the firm's stockholders, and withholding taxes on the interest paid by the firm. Additionally, foreigners would not have to pay income, gift, estate, or inheritance taxes in the Netherlands Antilles.

Even those countries which do not have tax treaties with the United States often provide their residents with tax credits on U.S. income, just as we do with Americans having investments abroad.

The fears and concerns expressed by Californians where that

- Acquisition of farm land by foreigners was raising prices to levels where it was beyond the reach of those people who would like to farm their own land. This is seen as a threat to the tradition of family farming. (However, there is evidence which suggests that most of the farm land transactions are between resident farmers, and it is claimed that it is they who bid up the price of farm land, just as much as foreign investors who pay premium prices for quality farm land, in attempts to add to their holdings necessary to meet the growing costs of farm operations.)

- Large holdings of real estate by foreigners would provide them with undue influence in economic and political affairs of the state and on the county level;

- The identities of the foreign investors were often unknown which is being resented, and there appears to be an aversion to absentee farm owners, particularly foreigners.

As a result, legislation was introduced in California which would have halted the sale of California farm land to non-resident aliens had it passed. (AB 3627) Certain large publicly held but alien controlled corporations would have been exempt from the proposed law if their corporate stock had been listed on a national security exchange or otherwise qualified for issuance under the federal securities laws, and the agricultural land did not exceed five percent of the fair market value of the corporation's net tangible assets. It is expected that similar legislation will again be introduced this year. AB 3627 was opposed by lawyers, the California Association of Realtors, and the California Land Title Association, among others. Here are some reasons which were cited why the bill should not become law.

- The bill was unconstitutional--non-citizens have the same property rights as citizens under California law;

- It was argued that foreign land ownership was too small to pose a threat to prices or to non-resident aliens assuming undue political and economic power by virtue of such ownership;

- It was felt that if the law were enacted it would complicate the selling of land in California;

- Opponents to the proposed law argued that California agriculture requires additional sources of capital in order to expand;

- Secretiveness of foreign investors in California agricultural land would make enforcement of the law difficult, if not impossible. (An attorney for some of the non-resident aliens who have bought farm land in California said that the buyers want to remain anonymous, because if it became known who they were it would subject them to kidnappings and blackmail. It has also been pointed out that it is illegal in some of the countries whose citizens are investing in California farm land, to remove currency from the country. Therefore, some foreign investors are particularly keen on keeping the acquisition secret.) The California Assembly Office of Research, commenting on the bill, pointed out that many large corporations do not know the identity of all their shareholders because a not insignificant amount of their stock is held in "street name" through various nominees and trustees. Since real ownership can often be completely disguised by using multiple levels of ownership, and because of legal and practical difficulties in identifying the true owners, it would not be too difficult to disguise a transaction in order to avoid the provisions of the bill;

- It was feared that the law would induce retaliation against California investors in foreign countries. (Much of California's capital is invested in foreign countries, and in foreign agriculture.);

- Title insurance companies indicated that it would be very difficult to determine whether a prospective buyer of land was a non-resident alien or not;

- It was argued that the definition of what constituted agricultural land was much too limited. (Any tract containing more than five acres);

- Opponents to the bill claimed that farm land acquisition by foreigners provided for stability in farm land use in California;

- It was argued that acquisition of farm land by non-resident aliens was not speculative; that new owners intended to hold on to the land and keep it in farm use for many years;

- It was also pointed out that the acquisition of farm land by foreigners provided cash to farmers;

- It was pointed out that foreign land owners in California tend to arrange for lease backs of the land to the former owner of the land, allowing the seller and his descendants to continue to farm the land, and thus keeping agriculture in the state.

It is not known how California will finally resolve the perceived problems of farm land acquisition and ownership by foreigners in their state, but it seems clear that the approach taken in AB 3627 is not going to prevail. It might be that as more information becomes available about the true extent of foreign ownership of agricultural land in California the issue may become less volatile. (I was amazed how frequently the same transactions were recited over and over again, giving the casual reader the impression that vast amounts of land had been purchased by foreigners. I suspect, however, that as more accurate information becomes available, obtained by more reliable techniques than hearsay and suspicion, the percentage of foreign agricultural land ownership in California will be much smaller than now suspected.)

Foreign Ownership of U.S. Farm Land Elsewhere in the United States

At the request of the Senate Committee on Agriculture, Nutrition, and Forestry, and the Senate Subcommittee on Agriculture, Rural Development and Related Agencies, The General Accounting Office (GAO) prepared a report this summer which attempted to obtain information on

- State laws pertaining to foreign investments in U.S. farm land;

- The availability of data on the subject matter at state and county levels; and

- The alternatives for a nationwide data collection system on foreign farm land ownership.

Their conclusions were that reliable data is difficult to obtain and that whatever data existed was fragmentary and inconclusive. GAO found that state laws did not significantly inhibit foreign ownership of land. Restrictions on ownership of farm land by foreigners are of varying severity and degrees. There are

- Restrictions on ownership of farm land by non-resident aliens;
- Restrictions on size of land holdings;
- Restrictions on duration of land holdings;
- Restrictions on inherited land; and
- Restrictions on corporate ownership of real estate.

It is conceded generally that in those states which bar non-resident aliens from owning land the law could be easily circumvented, and more importantly, it is felt that if the laws were to be tested, such laws might very likely be held unconstitutional, because they deny equal protection under the law to foreign buyers.

Twenty-five states have laws that place some form of restraints on foreign ownership of agricultural land. The degree of restraints mirrors the diversity of state perceptions as to whether foreign ownership of land constitutes a present or potential problem within the state. A majority of the states either did not perceive foreign ownership of farm land to be a significant problem, or they felt that they did not have enough information to give an opinion or response. Alaska's response to GAO's inquiry was that

> "...more foreign investment in its farm land could be desirable. It said that possible future expansion of agriculture in the State could benefit from the investment of foreign capital--such investment could be as valuable an asset to farmland development as it has been to the development of the timber and fisheries industries, assuming that the investment is politically acceptable." (Foreign Ownership of Farm Land--Much Concern, Little Data, General Accounting Office, June 12, 1978, Appendix II, Page 19.)

States which have accumulated data on foreign land ownership (Iowa, Minnesota, Nebraska, and Vermont) indicate that foreign farm land ownership is minimal. According to GAO information obtained by visiting twenty-five counties in five states .03 percent of the farm land is foreign owned. Whether this percentage is representative is an open question. There simply are presently no means to gather accurate data. Hopefully, passage of the Agricultural Foreign Investment Disclosure Act of 1978 will be a beginning to collect the necessary information base.

Another report, which we had hoped would shed additional light on foreign ownership of land, entitled "Foreign Ownership Of U.S. Real Estate in Perspective" (June, 1978) has been ordered since December 12, 1978, but to date we have been unable to get a copy. (It is apparently out of print.) When we receive this document we will extract any useful information and send it to you.

General

While foreign ownership of farm land is of concern to a number of individuals and states, foreign investments in general are not unwelcome in this country.

Foreign investments fall into four basic categories.

- Corporate direct investments (foreign owned companies in the United States, such as Volkswagen, Sony, Rossignol skis, etc.);
- Corporate acquisitions (foreign corporations buying control in American companies);
- Stocks, bonds and government securities held by foreigners as portfolio investments;
- Real estate, including farm land.

While the first three forms of investments are eagerly sought by most Americans, the purchase of farm land by non-resident aliens is opposed, irrespective of the benefits that might accrue from such foreign ownership. Foreign investments provide jobs in this country, balance our trade deficits, ease our balance of payments deficit, and help the stock market. It is estimated that for every $26,000 of foreign capital invested, one new job is created. (That would have amounted to roughly 60,000 new jobs in 1977.) It is also noteworthy to mention that American investments overseas vastly outnumber foreign investments in this country (for every $1.00 invested in U.S. property by foreigners, American interests own almost $5.00 worth of property abroad), and there is some fear that if we restrict foreign investments too severely, reciprocal action might be taken in foreign nations where U.S. companies invest heavily, preventing them to do so in the future.

Conclusions

It appears from the available information that very little additional can or necessarily should be done at this time to tighten up on foreign ownership of Alaska lands. The state does have laws which require the disclosure of the non-resident alien land owner at the time of conveyance with that information being filed with the commissioner of commerce.

Adding more stringent requirements, such as mandatory annual reporting of land holdings by non-resident aliens, or requirements that all parties customarily involved in real estate transfers report on any land acquisition involving foreign interests, or attaching more severe penalities for noncompliance of the law may not only be unconstitutional and expensive to enforce, but may fail to increase registration of foreign owned land for reasons outlined earlier.

If you feel that foreign land ownership in Alaska is or may become a potential threat, maybe an interim committee should study the matter more fully in an attempt to obtain more reliable data then is now available on which to base Alaska's policy regarding foreign land ownership.

If I can be of further assistance, please let me know.

EK:lmk

LEGISLATIVE AFFAIRS AGENCY **MEMORANDUM**

TO: The Honorable Nels A. Anderson

FROM: Gregg K. Erickson
Director of Research

Please indicate your directions concerning future handling of the attached information, which you requested under WO# 6403 & 6405 (Subject: Freight Transportation to Western Alaska (Partial Response))

(X) 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:

4/3/79
Date

Nels Anderson
Signature

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

STATE OF ALASKA
THE LEGISLATURE

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

LEGISLATIVE AFFAIRS AGENCY

MEMORANDUM

March 17, 1979

SUBJECT: Freight Transportation to Western Alaska
(W.O.'s 6403 and 6405) (Partial Response)

TO: The Honorable Nels A. Anderson

FROM: Alexander Hoke
Policy Analyst

The questions you asked in Work Orders 6403 and 6405 are complex and of very broad scope. Consequently, I intend to segment my response, dividing each work order into its component parts so that each part may be addressed in a separate memorandum. This memorandum shall serve as a comparative analysis of freight rates for both air and marine shipment of freight in Western Alaska (those points north and west of Egegik).

Freight Carriers in Western Alaska

The principal marine freight forwarders operating in Western Alaska are Foss Alaska Lines (FAL) - a subsidiary of Dillingham Maritime Corporation, Pacific Alaska Lines (PAL) - a subsidiary of Crowley Maritime Corporation in Seattle, and Alaska Cargo Lines (ACL) - a maverick freight carrier which only recently began operations in this region. These three carriers operate primarily from Seattle and Anchorage to the principal West Coast distribution points of Bethel, Nome, Kotzebue and St. Michael. Lighterage service from these distribution centers to smaller points along the western coast of Alaska is offered by Arctic Lighterage Company. In addition to Arctic Lighterage, other much smaller freight haulers are operating in this region, serving mainly river communities: Yutana Barge Lines operating on the Yukon River and Black Navigation operating on the Kuskokwim River.

With respect to air freight shipments, Wien Air carries nearly all freight (and passenger) traffic into this region. However, Great Northern Airline was certificated by the Alaska Transportation Commission last spring for operations in Western Alaska.

Freight Traffic Volumes

Table 1 offers a comparison of the gross tonnage of freight transported by the principal carriers and the revenue generated by these operations. Although no data is available for the volumes of freight shipped by the

Alaska Cargo Line, Tom Bergstrom, Tariff Analyst for the Department of Law, estimates that Alaska Cargo Line carries about half the volume of freight that Foss Alaska Line carries to this region. It is evident from Table 1 that the total volumes of freight shipped to Western Alaska is fairly evenly distributed among the three principal carriers. Figures for gross revenue per ton and gross revenue per pound were given merely to provide a rough idea of the cost per unit of shipping freight from Seattle. The higher cost per pound shown for Pacific Alaska Line relative to that shown for Foss Alaska Line is due partially to the fact that PAL gross revenue includes revenue generated from lighterage operations.

Marine Freight Rates

Actual freight rates from Seattle to Bethel, Kotzebue, Nome, and St. Michael published by Foss Alaska Line on July 10, 1977, are shown in Table 2. Two columns of shipping rates are given for both Kotzebue and Nome since ocean going tugs and barges arriving at these communities must be lightered to shore due to shallow waters. Ships commonly anchor about 13 miles from the City of Kotzebue and about one mile from the City of Nome. Table 2 exhibits a broad range of commodity rates from a low of about $9 per hundred pounds for groceries and petroleum products to a high of about $33 per hundred pounds for snow and ice vehicles. This variance, we assume, is due to an array of factors including the difficulty in handling a given type of cargo, the variability of the weight to volume ratio, and the extent to which a given commodity is conducive to containerization.

Beyond the standard commodity rate a complex of special fees is assessed for extra services. According to FAL's published tariff for example, refridgerated cargo is charged at 150% of the normal commodity rate; storage fees beyond the 24-hour free time for removal of goods at the destination by consignee is assessed at 15 cents per hundred pounds per day; container load storage fees are charged at $7 per day while refridgerated container loads are charged at $12 per day; since containers owned by the carrier must be returned within 48 hours, late returns are assessed at $15 per day; minimum container load rates are shown below in Table 3:

TABLE 3

DESCRIPTION	CUBIC CAPACITY	MINIMUM CHARGE IN DOLLARS PER CONTAINER*					
		BETHEL	KOTZEBUE		NOME		ST.MICHAEL
12 foot Non-insulated Container	529	656	765	@1034	722	@976	758
20 foot Shipping Platform	1172	1456	1699	@2147	1637	@2128	1680
20 foot Non-insulated Container	1185	1456	1699	@2147	1637	@2128	1680
24 foot Shipping Platform	1536	1903	2225	@3007	2147	@2901	2204
24 foot Non-insulated Container	1327	1801	2102	@2841	2027	@2739	2081
24 foot Insulated Container	1100	1404	1637	@2212	1579	@2134	1622
40 foot Non-insulated Container	2381	2957	3449	@4483	3322	@4318	3415

* Figures for Kotzebue and Nome preceded by @ include lighterage service.

Tables 4 and 5 provide a sampling of commodity lighterage fees according to the December 15, 1978 freight tariff published by Arctic Lighterage Company. Table 4 shows lighterage rates per hundred pounds between Kotzebue as a distribution center and the destination points of Nome, Kotzebue, Noorvik, Kobuk, Deering, and Barrow. The figures in column 1 under each community name indicates the lighterage rate from the ship's anchorage at Kotzebue, while the figures under column 2 represent the lighterage rate from the City of Kotzebue. The same commodity category appearing in Tables 4 and 5 were listed earlier in Table 2 under the Foss Alaska Line commodity rates from Seattle. Table 5 exhibits commodity lighterage rates per hundred pounds between Nome as a distribution center and the following communities: Nome, Kotzebue, Elim, St. Michael, Hooper Bay and Gambell. It can be seen from Tables 4 and 5 that the lighterage costs on goods shipped between the two major distribution centers, Nome and Kotzebue, is $18.59 per hundred pounds for all commodity categories except building materials, which is charged at a rate of $26.11 per hundred pounds.

Generally, lighterage rates for groceries and petroleum products are significantly lower than the freight rates for appliances, building materials, and snow machines. Lighterage rates from the distribution centers to outlying communities depend primarily on the distance to these communities and the accessibility of a good landing site. While lighterage fees into Kotzebue and Nome average about 19% of the total shipping charge from Seattle, the lighterage fee to outlying communities constitutes a much larger proportion of the total freight bill from Seattle. For example, shipping costs out of Kotzeube to Noorvik for appliances, building materials, and snow machines, make up about one-third of the total cost of shipping from Seattle, while the lighterage fee to Noorvik for groceries and petroleum products constitutes about one-half of the total bill for shipping from Seattle. For goods shipped to Barrow, the proportion of the total shipping costs out of Seattle which are due to lighterage fees out of Kotzebue run approximately 45% for building materials and snow machines and around 63% for appliances, groceries and petroleum products.

Marine Lighterage Rates

As with Foss Alaska Line rates, Alaska Lighterage Company assesses additional fees for special services rendered. See Table 6 below for added charges made when handling items in excess of 10,000 pounds. Long length items are assessed at 20 cents per hundred pounds for each 10 foot length in excess of 25 feet in addition to the normal commodity rate. When the consignee is responsible for delays in departure of the carrier's tug or barge, a range of detention fees are assessed depending upon the size and type of vessel involved. Barge detention fees run between $5 an hour and $33 an hour while tug detention fees range from $75 an hour to $125 an hour. When the vessel from which lighterage operations are made is anchored beyond the normal anchorage point from Kotzebue and Nome, an additional charge of $25 per round trip mile is added to the normal commodity rate. When goods must be stored by the carrier, storage fees are charged ranging from 28 cents per ton per day for lumber to $5.25 per ton per day for automobiles.

TABLE 6

PIECES OR PACKAGES WEIGHING IN POUNDS		CHARGE IN CENTS PER 100 LBS.
OVER	BUT NOT OVER	
10,000	20,000	40
20,000	30,000	60
30,000	40,000	80
40,000	50,000	100
50,000	-	A penalty equal to 100% of published tariff rates will be charged.

<u>Air Freight Service in Western Alaska</u>

As shown earlier in Table I, freight services to Western Alaska are made predominantly through marine transportation modes. However, a significant component of the total volume of freight shipped to this region goes by air. Wien Air Alaska, by far the leading air carrier in this region, carries roughly one-third of the total volume of freight destined for points in Western Alaska. Table 7 shows Wien's traffic volumes from 1976 through 1979. This data comes from exhibits provided by Wien Air Alaska in the Northwest Alaska Service Investigation conducted by the Civil Aeronautics Board in May of 1978. Wien's rebuttal exhibits in the Northwest Alaska Service Investigation were intended to quash Great Northern Airline's attempt to expand its operations in the Western part of the state. Wien's estimates for 1978 and 1979 cargo volumes were predicated on a 10% annual growth rate in cargo shipments. It is important to note that mail cargo makes up about 42% of the total tonnage.

For purposes of comparison to Wien's traffic volumes, figures for Great Northern Airlines 1977 passenger and cargo traffic is shown on Table 7. Of the total volume of air freight transported in Northwest Alaska, Great Northern Airline's share is about 18%. Table 7 also shows the distribution of traffic in Wien's Northwest Alaska service area with the Anchorage-Nome route capturing about 62% of the total volume of traffic, while the Anchorage-Kotzebue route supports only 22% of the total Northwest air traffic.

Wien's 1977 Annual Report provides a breakdown of revenue by source for its Northwest operations as shown in Table 8. It is interesting to note that although the total revenue generated by passenger fares, freight and excess baggage dropped between 1976 and 1977, the revenue generated by mail deliveries increased. This is due in part to Wien's introduction of the Containerized Bypass Program for bulk parcel post deliveries which are prepared so that no handling is required by the post office. As evidenced by the large proportion (42%) of total air cargo which is mail, it is apparent that parcel post rates are sufficiently attractive, relative to air freight rates, that residents of Northwest Alaska ship freight by parcel post whenever possible.

Wien's 1979 air cargo rates for shipments from Anchorage to Dillingham, Bethel, Nome, and Kotzebue are shown on Table 9. Wien's rate structure is such that each community has a unique standard freight rate per hundred pounds with a 12% discount for shipments over 3,000 pounds and additional discounts of between 10 and 20 per cent for containerized freight. For priority shipments, a 30% premium is charged in addition to the standard freight rate. By comparing the Foss Alaska Line rates on Table 2 with the Wien Air Alaska rates on Table 9, it can be seen that air freight rates compare favorably to marine freight rates for all commodities except groceries and petroleum products. However, Tariff Analyst Bergstrom estimates that about 80% of all marine freight cargo is petroleum. Since petroleum products constitute the major proportion of all freight shipments, marine freight shipping dominates over air shipments in Western Alaska in terms of total tonnage.

Another way of looking at Wien's freight tariff is the cost per ton-mile, that is, the average cost of shipping one ton of cargo a distance of one mile. Approximate freight yields on the Anchorage-Bethel route are listed for three years in the following table:

WIEN CARGO RATE ANCHORAGE-BETHEL

1977 -- \$.7623/ton-mile

1978 -- \$.8386/ton-mile

1979 -- \$.9224/ton-mile

Conclusions

This brief examination of the marine and air freight tariff structure for the Western region of the state only hints at the complexity of the freight shipping problems in this area. Due to the seasonality and infrequency of marine freight shipments, costs must be balanced against the immediacy with which goods are desired and the extent to which certain goods are perishable. Furthermore, much speculation of long-term material needs, and forecasting of navigable weather patterns is required to plan for timely arrival of goods at their respective destinations. Residents of smaller communities must act collectively in making freight shipments in order to capitalize on volume and containerized freight discounts. Since parcel post rates are generally lower than air freight rates, many freight shipments must be broken down into small units in order to meet postal requirements on the size and weight of mail items.

Although little information on freight volumes and tariffs in the Bethel/Dillingham area is readily available, we anticipate a rate structure for both marine and air cargo shipments which essentially parallels the tariff structure for the Nome/Kotzebue area.

Obviously, the freight transportation cost issue deserves an in-depth analysis. As will be demonstrated in subsequent memoranda on the transportation problem of Western Alaska, other aspects of this problem should be studied comprehensively as well, so that any legislative action taken to improve the freight transportation situation in Western Alaska will be founded on a thorough understanding of the full scope of the implications of such action.

AH:lmk
Attachments

PRINCIPAL FREIGHT CARRIERS IN WESTERN ALASKA

CARRIER	FREIGHT (gross tons)	GROSS REVENUE		GROSS REVENUE Per Ton +	GROSS REVENUE Per Pound +
Foss Alaska Line	13,738	$ 1,720,791	(1978)	$125.26	6.26 ¢
Pacific Alaska Line	17,432	$ 3,583,545 *	(1978)	$205.57	10.28 ¢
Alaska Cargo Line @	-	-		-	-
Wien Air	21,000	$20,000,000 **	(1977)	$952.38	47.62 ¢

* Includes Arctic Lighterage operations into Nome and Kotzebue and many villages in the region.

@ Freight volume and revenue data is not immediately available for Alaska Cargo Line operations. Volumes estimated at about half those for Foss Alaska Line.

** Wien operations include both way traffic between Nome, Kotzebue, Unalakleet and McGrath (McGrath operations revenue comprises about six per cent or seven per cent of total Wien revenue in the region.) Backhaul traffic from these points constitutes less than 10 per cent of total Wien traffic.

\+ These calculations included merely to show the average cost per unit for freight shipments over the carriers' respective routes.

(Data in this table provided by Tom Bergstrom, Tariff Analyst, Department of Law)

Prepared by:
Legislative Affairs Agency
Research Division
March 17, 1979

TABLE 1

FOSS ALASKA LINE

COMMODITY RATES PER 100 POUNDS
BETWEEN SEATTLE, WASHINGTON AND:

Commodity	Bethel	Kotzebue at ship's anchorage	Kotzebue includes lighterage	Nome at ship's anchorage	Nome includes lighterage	St. Michael
Appliances	$21.45	$24.78	$32.21	$23.60	$30.68	$24.78
Building Materials	18.88	23.79	27.69	20.73	24.23	22.42
Groceries	8.18	9.44	11.80	9.00	11.25	9.44
Petroleum Products	7.23	8.34	10.41	7.95	9.92	9.34
Snow/Ice Vehicles	30.75	35.52	43.49	33.83	41.42	35.52

Prepared by:
Legislative Affairs Agency
Research Division
March 17, 1979

TABLE 2

ARCTIC LIGHTERAGE COMPANY
COMMODITY LIGHTERAGE RATES PER 100 POUNDS BETWEEN
KOTZEBUE AS DISTRIBUTION CENTER AND:

	NOME		KOTZEBUE		NOORVIK		KOBUK		DEERING		BARROW	
COMMODITY	(1)	(2)	(1)	(2)	(1)	(2)	(1)	(2)	(1)	(2)	(1)	(2)
Appliances	-	-	$ 5.00	-	$11.40	-	$15.15	-	$15.35	-	$18.55	-
	-	$18.59	-	-	-	$6.40	-	$10.15	-	$10.35	-	$13.55
Building Materials	-	-	$ 3.90	-	$12.06	-	$17.64	-	$18.01	-	$22.65	-
	-	$26.11	-	-	-	$8.16	-	$13.74	-	$14.11	-	$18.75
Groceries	-	-	$ 2.50	-	$8.90	-	$12.65	-	$12.85	-	$16.05	-
	-	$18.59	-	-	-	$6.40	-	$10.15	-	$10.35	-	$13.55
Petroleum Products	-	-	$ 2.30	-	$ 8.70	-	$12.45	-	$12.65	-	$15.85	-
	-	$18.59	-	-	-	$6.40	-	$10.15	-	$10.35	-	$13.55
Snow/Ice Vehicles	-	-	$11.10	-	$17.50	-	$21.25	-	$21.45	-	$24.65	-
	-	$18.59	-	-	-	$6.40	-	$10.15	-	$10.35	-	$13.55

(1) Column (1) gives lighterage rate from ship's anchorage at Kotzebue
(2) Column (2) gives lighterage rate from city of Kotzebue

TABLE 4

Prepared by:
Legislative Affairs Agency
Research Division
March 17, 1979

ARCTIC LIGHTERAGE COMPANY
COMMODITY LIGHTERAGE RATES PER 100 POUNDS BETWEEN
NOME AS DISTRIBUTION CENTER AND:

COMMODITY	NOME (1)	NOME (2)	KOTZEBUE (1)	KOTZEBUE (2)	ELIM (1)	ELIM (2)	ST. MICHAEL (1)	ST. MICHAEL (2)	HOOPER BAY (1)	HOOPER BAY (2)	GAMBELL (1)	GAMBELL (2)
Appliances	$ 4.80	-	-	-	$15.05	-	$16.10	-	$18.05	-	$18.35	-
	-	-	-	$18.59	-	$10.25	-	$11.30	-	$13.25	-	$13.55
Building Materials	$ 3.50	-	-	-	$17.51	-	$18.97	-	$21.83	-	$22.25	-
	-	-	-	$26.11	-	$14.01	-	$15.47	-	$18.33	-	$18.75
Groceries	$ 2.40	-	-	-	$12.65	-	$13.70	-	$15.65	-	$15.95	-
	-	-	-	$18.59	-	$10.25	-	$11.30	-	$13.25	-	$13.55
Petroleum Products	$ 2.20	-	-	-	$12.45	-	$13.50	-	$15.45	-	$15.75	-
	-	-	-	$18.59	-	$10.25	-	$11.30	-	$13.25	-	$13.55
Snow/Ice Vehicles	$10.80	-	-	-	$21.05	-	$22.10	-	$24.05	-	$24.35	-
	-	-	-	$18.59	-	$10.25	-	$11.30	-	$13.25	-	$13.55

(1) Column (1) gives lighterage rate from ship's anchorage at Nome
(2) Column (2) gives lighterage rate from City of Nome

Prepared by:
Legislative Affairs Agency
Research Division
March 17, 1979

TABLE 5

WIEN AIR ALASKA TRAFFIC VOLUME

Anchorage-Nome, Kotzebue, Unalakleet, McGrath

	Passengers	Cargo in Tons
1976	43,921	8,123.6
1977	42,963	8,315.5
1978 *	49,136	11,190.3
1979 *	51,971	12,309.4

* Forecast - Wien Air Alaska - Northwest Alaska Service Investigation - May 19, 1978

Cargo Classification: Freight 58.4%
Mail 41.6%

Great Northern Airlines, 1977 passenger traffic = 3,493
Cargo = 1,857.5 tons

1977 Traffic Distribution in Wien Northwest Alaska Service:

Anchorage-Nome	62.11%
Anchorage-Kotzebue	22.13%
Anchorage-Unalakleet	6.99%
Anchorage-McGrath	8.77%

TABLE 7

Prepared by:
Legislative Affairs Agency
Research Division
March 17, 1979

TABLE 8

WIEN AIR ALASKA REVENUE

(by Traffic Category)

	Passengers	Mail	Freight and Excess Baggage
1976	$37,593,000	$ 9,594,000	$13,462,000
1977	$29,900,000	$10,469,000	$10,641,000

Prepared by:
Legislative Affairs Agency
Research Division
March 17, 1979

TABLE 9

WIEN AIR ALASKA

1979 Cargo Rates

	Standard Freight Rate * per 100 lbs	Priority Shipments * per 100 lbs
Anchorage-Dillingham	$13.25	$17.25
Anchorage-Bethel	$16.35	$21.25
Anchorage-Nome/Kotzebue	$23.20	$30.15

* Discount rates apply for both standard and priority shipments if cargo volume is in excess of 3,000 lbs. Discount is approximately 12 per cent. Additional discounts of 10 per cent to 20 per cent apply to containerized freight.

Prepared by:
Legislative Affairs Agency
Research Division
March 17, 1979

LEGISLATIVE AFFAIRS AGENCY

MEMORANDUM

TO: The Honorable Terry Gardiner

FROM: Gregg K. Erickson
Director of Research

Please indicate your directions concerning future handling of the attached information, which you requested under WO# R-6 (Subject: Fisheries Infotion)

(✓) I approve the release of this information ~~to any requesting party~~. To Rev only

( ) 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:

3/19/79
Date

Terry Gardiner
Signature

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

LEGISLATIVE AFFAIRS AGENCY

MEMORANDUM

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# R-46 (Subject: Fisheries Legislation)

(✓) 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.

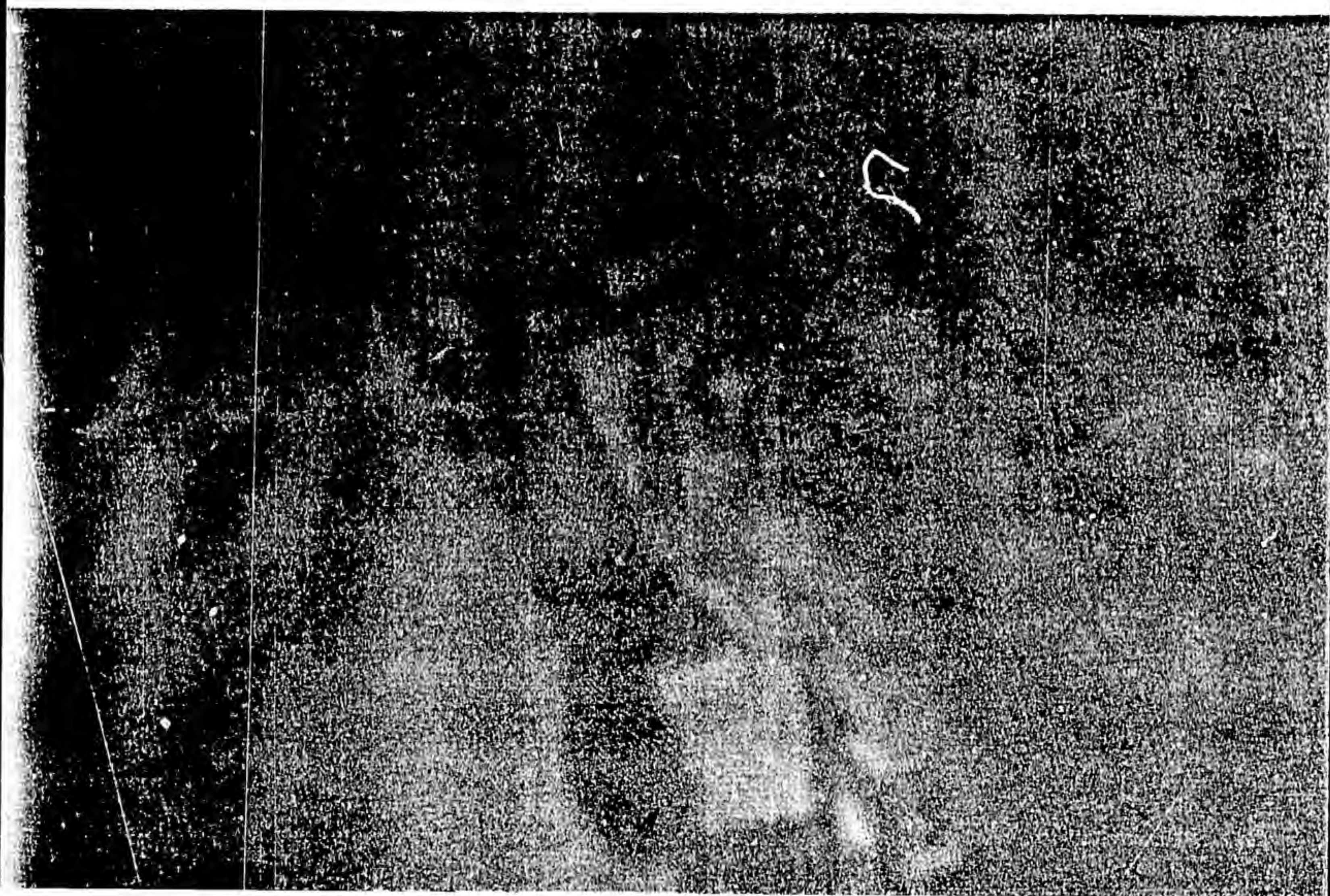
( ) I do not approve the release of this information; maintain confidentiality.

( ) I approve the release of this information under the following conditions:

March 19, 1979
Date

Signature

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



LEGISLATIVE AFFAIRS AGENCY **MEMORANDUM**

TO: The Honorable Nels Anderson

FROM: Gregg K. Erickson
Director of Research

Please indicate your directions concerning future handling of the attached information, which you requested under WO# 6849 (Subject: Fisheries Taxation)

(✓) 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:

3/20/79
Date

Nels A. Anderson Jr.
Signature

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

March 16, 1979

M E M O R A N D U M

SUBJECT: Work Order #R-6

TO: The Honorable Terry Gardiner

FROM: John Williams, Policy Analyst
(with Gregg Erickson, Director of Research
and Jack Kreinheder, Policy Analyst)

You have asked for an analysis of HB 306, an Act relating to fisheries taxes. Because this request is similar to others that have been received by Legislative Affairs, we are sending this memo to you and to other legislators.

The information that follows contains discussions of several components of Alaska's fisheries taxation policy, including: (1) the history and structure of present tax law, (2) fiscal trends relating to both the industry and state spending, (3) an analysis of HB 306, (4) Alaskan tax policy as it relates to the 200-mile limit, and (5) the question of the "infant industry"--bottomfishing.

SUMMARY

Alaskan fishery taxation law has not significantly changed since 1946. At that time, the only major fishery was the canned salmon industry. Except for the imposition of a 4% taxing rate on floating processors, products other than canned salmon are generally taxed at 1% of ex-vessel value (2% for razor clams and canned crab).

State policy, especially since 1969, has been to encourage the development of renewable resource industries, using revenues generated from non-renewable resource activities. Consequently, state expenditures for fisheries have risen dramatically. As compared to wholesale values, tax revenues from the fishing industry have dramatically fallen during the same time period.

HB 306 proposes to raise all fishery taxes to a rate of 6% of the ex-vessel value. This represents approximately a 35% increase for canned salmon, 300% for canned crab, and 600% for most fishery products processed at "shore-based" facilities.

According to the Department of Law, Alaska's raw fish tax cannot be applied to high seas fisheries processing activities (beyond three miles). A case now before the Alaska Supreme Court tests the ability of the state to apply Alaska's income tax law to high seas operations on a formula basis (using port calls as the nexus of Alaska jurisdiction).

Some concern has been expressed that a 6% raw fish tax on bottomfish may impact the rate of development of that "infant industry". Without knowing more about the costs of doing business in bottomfishing and relating that information to the opportunities available in other fisheries, one can only speculate on the effect of the proposed taxing rate on the rate of development of the bottomfishery. However, a substantial body of evidence clearly demonstrates that tax incentives offered by states to industry are usually an inefficient method of dealing with the "infant industry" problem.

PRESENT TAX LAW

Alaska's fishery tax law is generally little changed from territorial days. At that time, the only major Alaskan fishery was canned salmon, which was a major source of territorial tax revenue (along with mining). Consequently, the fisheries tax structure pivoted on canned salmon and incidentally taxed other fishery resources.

A 1959 amendment imposed a raw fish tax liability on fishermen who caught fish within the territorial sea but removed the catch beyond three miles before selling to a processor. A 1966 amendment imposed a 4% of ex-vessel value tax on resources processed on "floating" cold storages. Floating is defined to mean a facility which moves more frequently than once per calendar year. Following is a sectional presentation of present fisheries taxation law.

AS 43.75.010 and .060 require persons engaged in the business of processing fishery resources to pay a license fee according to the following schedule:

(1) Salmon canneries--3% of previous five year average wholesale value in the five (generally) weakest market months (August-December).

(2) Herring plants engaged in canning, curing, salting, freezing, or meal production--1% of the ex-vessel value.

(3) Crab canneries--2% of the ex-vessel value.

(4) Clam canneries--2% of the ex-vessel value of razor clams and 1% for butter clams (one small butter clam cannery sporadically operates at Kasitsna Bay).

(5) Shore-based cold storages--1% of the ex-vessel value for halibut, halibut viscera and livers, salmon, bottomfish, shellfish, or other fishery resources bought or obtained for processing through freezing, salting, or other method.

(6) Floating cold storages--4% of the ex-vessel value for those products listed in (5) above.

AS 43.75.060 defines shore-based to mean "permanently attached to the land or...remained in the same location for a period of not less than one calendar year. Any cold storage or processing plant removed from the state is a floating cold storage..."

AS 43.75.020 and .070 establish a $25 initial license fee for each facility covered by AS 43.75.010 and .060.

AS 43.75.100 establishes a 1% tax on fish removed beyond three miles for sale to a floating cold storage. The tax liability resides with the person reducing the fish to possession.

AS 43.20.031(a)(3) exempts from state income tax that income earned from halibut fishing beyond the territorial sea.

FISCAL TRENDS

State Expenditures

Because of the availability of revenues received from the development of Prudhoe Bay, the state as a matter of policy has been attempting to develop renewable resource industries. The justification has been that they will provide the backbone of a sustained Alaskan economy. Consequently, there have been significant increases in the state budget for fisheries. The attached charts demonstrate the rate of spending, both for operating and capital budgets.

Industry Trends

The last several years have been a period of great growth for the Alaska fishing industry as a whole. Fish prices in general are rising at rates faster than inflation, and the fishing fleet is rapidly expanding its exploitation of resources previously utilized only be foreign fleets.

Direct taxes paid by the fishing industry have, over time, become a decreasing portion of the product value. To a large degree, this trend is due to the diminishing role of canned salmon and the fact that the tax structure is designed around that product form.

*Sections 5-10

The sections provide for technical amendments to present law.

*Section 11

The section repeals portions of present law which would be superceded by this bill.

*Sections 12-14

The sections provide for a transition period with regard to the shared revenues provisions of the bill, a retroactive effective date to January 1, 1979, and for an immediate effective date for the bill itself.

In 1977 raw fish tax revenues were $8.1 million. The Dept. of Revenue estimates that $19.5 million would have been received in that year had a 6% tax been in effect.

We have estimated tax liabilities under present law and under the provisions of this bill to be $11.8 million and $30.2 million respectively. We used projected 1979 harvest levels and 1978 year-end prices obtained from the Dept. of Fish & Game.

APPLICATION TO THE FISHERIES CONSERVATION ZONE

It is the opinion of the Department of Law that the state cannot extend this form of taxation beyond the territorial sea, expecially where the entire operation from catch to processing occurs beyond three miles. The state is presently involved in a Supreme Court case which will determine the ability of the state to collect income tax from high seas fisheries operations.

The effect of this deficiency could play an important role with regard to the industrial structure which will be developed to exploit the resources of the 200-mile zone. The basis of the potential conflict is whether the industry will utilize on-shore operations and thus be subjected to Alaska's taxation jurisdiction, or for reasons of industrial efficiency design the operations to be both high seas catchers and processors, thus avoiding taxation and negating many of the potential benefits of the development of the new resources (resident and year-round employment, higher incomes, expanded local tax bases, etc.). If the raw fish tax is only applied to product processed within three miles, there is inherently a 6% of raw value advantage to process on the high seas. Whether this 6% differential will be significant is unknown, since the costs of doing business on-shore and off-shore are not known at this time. Hence, the effect of this tax on investment decisions is not determinable.

EFFECT ON THE INFANT BOTTOMFISH INDUSTRY

There have been several suggestions advanced that newly developing Alaskan fisheries should be exempted from the 6% tax liability. The argument for the exemption is generally made on the basis that uncertain profitability of the newly developing bottomfishery impedes investment in the industry, and that the imposition of a 6% of raw value tax could additionally impede or stop investment. The concern is exacerbated by the present lucrative nature of the shellfish fisheries, and the fact that crab and shrimp fisherman are seen as the likely pioneers of the bottomfishery. A factual determination of this concern would require knowledge of the costs of doing business in the bottomfishery, the return on investment that could be realized, and the opportunities available in other Alaskan fisheries.

The particular structure of the tax complicates the analysis of the issue. The tax is imposed on the raw product value in a manner not unlike a gross receipts tax imposed on retail businesses. It thus has little relation to profitability. A tax designed similar to the income tax imposed on oil companies doing business in Alaska would look only at profits, and thus would not enter into considerations of investment in new fisheries in the same fashion as the proposed raw fish tax.

A great amount of literature exists which suggests that of all subsidies states may offer to industries, tax subsidies are among the least efficient. The reason for this is threefold: (1) for every dollar the state gives up in foregone tax revenue, theoretically 49¢ is claimed by the federal government as federal income tax. Hence, the effect of the subsidy is diluted by almost half. (2) The benefits of a tax forgiveness flow to all companies engaged in the exempted activity, regardless of their need for the subsidy. (3) Tax subsidies may encourage the continuation of inefficient operations which otherwise would reinvest their capital in more efficient manners.

We hope that our comments are helpful. Please do not hesitate to ask us if we may be of further assistance.

JW:dh
Attachments ~~A~~

Graphs and tables in work order file.

No response from

Lohman – 6837

Mulcahy 6816

Same Subject –

FILE IN HB 306
New Work Order

WORK ORDER REQUEST FORM

NO 6837

KEYWORDS: Taxes, fisheries

Fish/Game

HB 306

ASSIGNED TO Williams

REQUEST FOR: BILL /__7 RESOLUTION /__7 RESEARCH /__7 OTHER /xx7

SUBJECT HB 306 Fisheries Tax

REQUESTED FOR Senator Hohman BY Paddock EXT. ______

* DELIVER TO Paddock TAKEN BY Williams

INSTRUCTIONS, EXPLANATIONS

Analysis of HB 306 relating to fisheries taxes.

OBTAIN

SPECIAL DRAFTING INSTRUCTIONS ATTACHED /__7

AUTHORIZED TO CONFER WITH ______

RETURN ______

______ TO REQUESTER

APPROVED: ______ Director, Legal Services

______ Director, Research

REVIEWED ______

IN 3/9 DUE ______

TYPED - Draft ______ DATE ______

Final [illegible] DATE 3/12/79

PROOFED ______ DELIVERED ______

SPECIAL INSTRUCTIONS TO TYPIST/PROOFREADER

DRAFT /__7 FINAL /__7

LAA L 10

New Work Order

WORK ORDER REQUEST FORM

№ 6816

KEYWORDS: Taxes, fisheries

Fish/Game

HB 306

ASSIGNED TO Williams

REQUEST FOR: BILL /__/ RESOLUTION /__/ RESEARCH /__/ OTHER /__/ Analysis

SUBJECT HB 306 Fisheries Tax

REQUESTED FOR Senator Mulcahy BY Alison Richey EXT.

* DELIVER TO Senator Mulcahy TAKEN BY Noah

INSTRUCTIONS, EXPLANATIONS

Analysis of HB 306 relating to fisheries taxes. (Governor's Bill)

OBTAIN

SPECIAL DRAFTING INSTRUCTIONS ATTACHED /__/

AUTHORIZED TO CONFER WITH

RETURN

TO REQUESTER

APPROVED: ______ Director, Legal Services

CKE Director, Research

REVIEWED

IN 3/5 DUE

TYPED - Draft DATE

Final Holm DATE 3/16/79

PROOFED DELIVERED

SPECIAL INSTRUCTIONS TO TYPIST/PROOFREADER

DRAFT /__/ FINAL /__/

LA-L 10

LEGISLATIVE AFFAIRS AGENCY **MEMORANDUM**

TO: The Honorable Terry Gardiner

FROM: Gregg K. Erickson
Director of Research

Please indicate your directions concerning future handling of the attached information, which you requested under WO# R-50 (Subject: Tax Yield from 6% Raw Fish Tax)

(✓) 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
Date

Terry Gardiner
Signature

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

M E M O R A N D U M

April 9, 1979

SUBJECT: Estimation of Tax Yield From 6% Raw Fish Tax (W.O. #R-50).

TO: The Honorable Terry Gardiner

FROM: Jack Kreinheder JK
Policy Analyst

Gregg Erickson, Director of Research, has requested that the computer printouts on fisheries tax yields which Janet Fries and I produced be revised to include a notation that the data for the printouts was compiled by Environmental Services, Limited. The revised printouts are enclosed herewith. Please dispose of the earlier versions of the printouts. Let us know if you need additional copies or further assistance.

JK:jm
Enclosure

W.O. R-50

Computer Printout
1978-79 Salmon Catch
Estimates

REPORT OF THE INTERIM COMMITTEE
ON TAXATION IN THE UNORGANIZED BOROUGH

The purpose and scope of the interim committee was to organize public hearings to receive comments from citizens in Delta, Tok, and Fort Yukon as representative of unorganized areas of the state that would be effected by taxation in the unorganized borough.

The interim committee was composed of standing members of the House Community and Regional Affairs Committee for the Tenth Session of the Alaska State Legislature. The members are:

Representative Lisa Rudd, Chair
Representatives Merle Snider, Bill Miles, Sally Smith, Randy Phillips, Nels Anderson, Pete Lovseth, Al Ose and Tim Kelly.

Staff accompanying the committee were:

Bob Dozier, State Assessor, Jim McKenzie, Legislative Affairs Legal Division and Judity Pinero, Administrative Assistant to the committee.

There was no action taken on the bill nor was there any work sessions or mark-up during the scheduled public hearings.

Public Hearings

Delta	October 17
Tok	October 18
Fort Yukon	October 20

(with stops in Beaver and Stevens village)

Notification-Publication

August, 1977	Letters to Delta, Tok and Fort Yukon School Board to arrange meeting space in the local schools.
August, 1977	Letters to Dot Lake, Beaver, and Stevens Village advising community of the committee's informal visit to talk to residents.
September, 1977	Public hearing announcements provided to interested persons and newspapers in the community and surrounding area.

In fact, I believe the oil industry raised this question as a constitutional "equal protection" issue in litigation, but the suit was settled before the issue was decided. Later efforts to focus on the question of taxation in the unorganized borough came in 1975 with the rural education attendance areas in the unorganized borough. Some legislators felt at that time that local control and policy making power should not be given to the REAA's without requiring them to make local tax contributions to help support the REAA's.

The fact that the REAA's are entirely supported by the state whereas school districts in incorporated areas must support much of their education services through local tax levies, seems to be the reason for the introduction of HB 202. Urban legislators find it hard to justify this apparent inequity to their constituents, who are paying both local and state taxes to support education in the state.

That the legislature has the power to levy a property tax, or any tax, in the unorganized borough is without doubt. Under the state constitution (Art. X, Sec. 6) the legislature is the assembly, or governing body, of the unorganized borough.

PUBLIC HEARING COMMENTS - SYNOPSIS

The majority of those testifying in Delta, Tok and Fort Yukon were opposed to the levy and collection of a tax on developed land in the unorganized borough for the following reasons:

- imposed taxation forces the formation of local government.
- cost of levy and collection versus revenue
- no assurance that revenues generated would benefit their area.
- taxation without representation
- assessed valuation is too high in the present bill
- opposition to property tax in principle.
- amount of taxation would not equal the services to the area.
- punitive legislation

February 21, 1977

RE: Basic Tax Information / Purpose and Authority

State Tax System

Personal Income Tax: Should stand-out as the single most important revenue instrument in the state tax system and should produce close to 25% of total state-local tax revenues.

General Sales Tax: As the other major state tax it should produce 20 to 25% of the total state-local tax revenue without imposing an extraordinary burden on low income families. Retail sales tax rests on the belief that consumption is an appropriate basis on which to distribute a substantial part of the state tax load.

Local Tax System

Property Tax: Provides 5 out of 6 local tax dollars.

In many states there are existing constitutional and statutory restrictions on the taxing powers of local governments in terms of specific rates or allowed rates of increase, coupled with requirements for specific referendum approval of proposed property tax levies.

The State Role

The state has a useful and significant coordinative role to play in the administration of local income taxes as well as in other non-property taxes. Income taxes are preferable to sales and many other types of taxes because they can be structured to distribute their burden in conformity with ability to pay and with necessary regard to the taxpayer's family obligations.

Income tax limitations for use at the local level:

- frequently people live in one jurisdiction and work in another.

- people often supplement their wages and salaries from local sources with investment and other unearned income from other parts of the state; however, local jurisdictions that now use these taxes generally limit them to income from wages and salaries, the type of income most easily taxed.

FORT YUKON INCOME SOURSES FY76

3% Sales Tax	$ 43,630	
Municiple Liquor Store Sales	379,815	
Community Center Vending machines	545	
Building Rent	5,925	
Snow machine Fees	1,905	
Fines	35	
Miscolmens Revenue	325	$ 432,180
State Revenue Sharing (Grant)		
Police, Fire, Parks And Rec. And Land USE planning	51,065	
Business Liscense (Refund) -	4 200	
Liquor Liscense Refund.	500	
Law Enforcement (LEAA) (Refund or Reimbursment)	17,335	
State Services (Reimbursment)	16,030	
		89,130
Federal Revenue sharing (Grant)	1,025	
Federal Reimbursment for Services (Reimbursment)	5,025	
		6,050
Total -		$ 527,360

H.B. 202

The purpose of this bill is to remedy at least in part, an existing inequity in taxation across the state. At present, in all the organized borough and first class cities, property owners must pay real property taxes, part of which go for the support of the educational system. Still carrying over from earlier days, however, is a lack of any taxation of a sort on real property in the unorganized borough.

Once upon a time this exemption may have been justified. There was little in the Bush except one or two-room cabins, sod houses, and fish camps. The cost of collecting taxes would have far exceeded the amount of revenue derived.

Now, however, the situation has changed. Lodges and service stations, stores, restaurants and other business have sprung up along the major highways of the state. The owners of these properties pay only state income tax toward the cost of the state and a portion of this income tax goes to support schools. They are obviously getting a free ride at the expense of property owners in the boroughs and cities.

Under the bill real property in the unorganized borough would be assessed at its fair market value (what a willing buyer would pay to a willing seller with both of them knowing property values) as is now the case required by law for organized municipalities. All of the exemptions presently authorized for municipalities are included in the bill (Senior citizens have a basic $10,000 exemption authorized under the pipeline act).

optional for munic.

SCHOOL TAX REVENUES

IN THE UNORGANIZED BOROUGH

Department of Revenue is unable to give us a breakdown of the $10 school tax revenues by district.

However, some sort of relationship may be developed through figures for school membership.

$$\frac{\text{Total District Membership}}{\text{Total State Membership}} \text{ to } \frac{\text{Total REAA Membership}}{\text{Total State Membership}}$$

71,885 = Total District (City-Borough) School Membership*

11,417 = Total REAA School Membership*

83,302 = TOTAL

86% = District
14% = REAAs

$2,588,600 = Total Revenues from $10 School Tax

86% = $2,226,196 = Amt from District Taxpayers at $10/yr

14% = $ 362,404 = Amt from REAA Taxpayers at $10/yr

$ 906,010 = Amt from REAA Taxpayers at $25/yr

$2,536,828 - Amt from REAA Taxpayers at $70/yr

* Includes 1/2 of Centralized Correspondence Membership

Unimproved land which is held by native corporations under the Alaska Native Claim Settlement Act is exempted by that Act and in order to avoid discrimination this exemption has been extended to the whole unorganized borough.

The millage rate would be the average millage rate presently levied for educational purposes in the organized municipalities. It is my guess that this will be about a 5 mill rate.

I have no desire to tax nor do I believe it would be feasible to tax the small low value cabins in many of the villages. People who live in such cabins to frequently do not have the wherewithal to support themselves much less to pay a property tax. The committee may decide that an exemption ceiling greater than $10,000 is desirable if taxation of this kind of property is to be avoided. The $10,000 figure was picked because it is presently the ceiling authorized by law for the boroughs and cities. There is, however, in my mind no justification for failing to tax the significant properties in the unorganized borough and requiring the property owners in the organized areas to bear an unfair share of the burden.

ADVANTAGES OF HB 202

1. Source of Revenue;

2. Important machinery for determining and keeping current a record of property ownerships;

3. Cadastral mapping allows for accurate planning and value estimating during important negotiations such as D-2, Alaska Gas Pipeline and other future issues;

4. Is a step toward remedying an existing inequity in taxation across the state in that citizens in the organized boroughs pay not only toward support of their own schools, but also toward those in the unorganized areas --- this is a matter of discrimination;

5. The Legislature will begin to exercise its responsibilities as Assembly of the Unorganized Borough.

Annette

12-13-77

STATE OF ALASKA DEPARTMENT OF EDUCATION
PUBLIC SCHOOL FOUNDATION PROGRAM COMPUTATIONS
REVISED REPORT RECAPITULATION
1977-78 FISCAL YEAR

Regional Education Attendance Areas	Final ADM 1976-77	Revised ADM 1st qtr.	Instr. Units	Instr. Unit Allot.	Basic Need	Equiv. of Local Support Estimate $650.00	Revised Computation of Entitlement	per ADM
Adak	588	615	44	$38,500	$1,694,000	$399,750	$2,093,750	$3,404
AK Central Railbelt	356	357	42	36,781*	1,544,802	232,050	1,776,852	4,977
Alaska Gateway	423	415	47	33,000	1,551,000	269,750	1,820,750	4,387
Aleutian	220	231	33	41,250	1,361,250	150,150	1,511,400	4,387
Annette Metlakatla	398	325	33/29**	28,875*	952,875	211,250	1,164,125	3,582
Bering Straits	306	472	65	42,625	2,770,625	306,800	3,077,425	6,520
Chatham	157	189	23	29,958*	689,034	122,850	811,884	4,296
Chugach	64	48	9/8**	33,206*	298,854	31,200	330,054	6,876
Copper River	699	751	70	31,625	2,213,750	488,150	2,701,900	3,598
Delta/Greely	786	765	62	33,000	2,046,000	497,250	2,543,250	3,325
Iditarod	277	271	40	42,625	1,705,000	176,150	1,881,150	6,941
Kuspuk	360	356	48	42,625	2,046,000	231,400	2,277,400	6,397
Lake & Peninsula	362	384	56	42,625	2,387,000	249,600	2,636,600	6,866
Lower Kuskokwim	1418	1469	125	42,625	5,328,125	954,850	6,282,975	4,277
Lower Yukon	704	902	87	42,625	3,708,375	586,300	4,294,675	4,761
Northwest	1318	1514	148	42,625	6,308,500	984,100	7,292,600	4,817
Pribilof	181	187	22	41,250	907,500	121,550	1,029,050	5,503
Southeast	397	437	56	28,875*	1,617,000	284,050	1,901,050	4,350
Southwest	530	518	65	42,625	2,770,625	336,700	3,107,325	5,998
Yukon Flats	293	285	37	42,625	1,577,125	185,250	1,762,375	6,184
Yukon-Koyukuk	682	657	78	42,625	3,324,750	427,050	3,751,800	5,702
TOTALS	10,519	11,148	1,190/1,185		46,802,190	7,246,200	54,048,390	

* SLA 1977, Chapter 90, Sec.9

** AS Sec.14.17.031(d)

SUPPLEMENT TO REVISED FOUNDATION REPORT DATED 1-9-78

STATE OF ALASKA

DEPARTMENT OF EDUCATION

	Revised ADM 1st Qtr.	Elem.	Second.	Sp.Ed. (non-add)	Corres.	Voc.Ed. (non-add)	Elem.	Sec.	Spec.Ed.	Corres.	Voc. Ed.	Total Units
Anchorage	35,125	17,212	17,913	2,107	-	1,806	801	977	198	--	102	2078*
Bristol Bay	237	103	134	12	-	38	9	11	2	--	3	25
Cordova	497	253	244	53	-	64	16	16	6	--	5	43
Craig	190	82	108	11	-	11	7	8	2	--	2	19
Dillingham	405	175	230	57	-	35	12	17	6	--	3	38
Fairbanks	9,003	4,640	4,214	517	149	574	241	237	48	10	38	574
Galena	164	72	92	9	-	24	6	7	2	--	2	17
Hianes	423	207	216	40	-	27	14	16	3	--	3	38
Hoonah	276	132	144	48	-	33	9	10	5	--	3	27
Hydaburg	99	64	35	12	-	21	6	4	2	--	2	14
Juneau	4,305	2,129	2,167	366	9	348	114	123	35	1	21	294
Kake	200	107	93	18		32	8	7	3	--	3	21
Kenai	5,634	3,053	2,442	330	139	265	193	148	31	10	26	408
Ketchikan	2,563	1,176	1,336	206	51	180	66	78	20	5	11	180
King Cove	121	55	66	13	-	13	5	6	2	--	2	15
Klawock	77	77	-	9	-	-	6	-	2	--	--	8
Kodiak	2,040	1,139	878	216	23	150	77	58	21	3	12	171
Mat-Su	3,823	1,749	1,869	182	205	314	105	110	18	13	21	267
Nenana	198	127	71	17	-	26	9	6	3	--	4	22
Nome	799	438	361	101	-	55	26	24	10	--	4	64
North Slope	1,095	593	495	132	7	107	45	39	13	1	15	113
Pelican	35	21	14	-	-	2	3	2	-	--	-	5
Petersburg	581	406	175	43	-	45	25	12	5	--	4	46
Sitka	1,765	798	959	123	8	137	48	55	12	1	8	124
Skagway	232	124	108	12	-	17	9	8	2	--	2	21
St. Mary's	108	82	26	40	-	35	7	3	5	--	3	18
Unalaska	129	65	64	11	-	10	6	6	2	--	2	16
Valdez	826	368	458	134	-	63	22	32	13	--	6	73
Wrangell	499	267	232	47	-	42	17	15	6	--	4	42
Yakutat	168	94	74	21	-	16	7	6	3	--	2	18
TOTALS	71,617	35,808	35,218	4,887	591	4,490	1,919	2,041	482	44	313	4,799

* Based on a preliminary report from the district. The first quarter entitlement has not been determined at this date.

SUPPLEMENT TO REVISED FOUNDATION REPORT DATED 1-9-78

STATE OF ALASKA
DEPARTMENT OF EDUCATION

School District	Revised ADM 1st Qtr. 1977-78	1-1-76 Property Value	Value per ADM	Index	Level of State Support (95% Min.)	Matching Ratio: 1 Local Support
Anchorage	35,125	$3,739,897,143	$106,474	.77783	96.1108	22.2248
Bristol Bay	237	26,122,279	110,221	.80521	95.9740	23.8386
Cordova	497	31,145,500	62,667	.45781	97.7110	42.6866
Craig	190	4,788,275	25,201	.18411	99.0795	107.6446
Dillingham	405	12,169,965	30,049	.21952	98.9024	90.1098
Fairbanks	9,003	1,237,213,035	137,422	1.00393	95.0000	19.0000
Galena	164	1,589,500	9,692	.07080	99.6460	281.5049
Haines	423	35,901,910	84,874	.62004	96.8998	31.2557
Hoonah	276	3,318,375	12,023	.08783	99.5608	226.7108
Hydaburg	99	1,269,775	12,826	.09370	99.5315	212.4497
Juneau	4,305	326,964,635	75,950	.55485	97.2258	35.0464
Kake	200	2,126,165	10,631	.07766	99.6117	256.5145
Kenai	5,634	908,583,275	161,268	1.17813	95.0000	19.0000
Ketchikan	2,563	245,439,315	95,763	.69958	96.5021	27.5886
King Cove	121	2,290,785	18,932	.13831	99.3085	143.6015
Klawock	77	906,400	11,771	.08600	99.5700	231.4853
Kodiak	2,040	145,763,615	71,453	.52199	97.3900	37.3143
Mat-Su	3,823	453,284,865	118,568	.86619	95.6691	22.0899
Nenana	198	3,563,695	17,998	.13149	99.3426	151:1019
Nome	799	19,273,555	24,122	.17622	99.1189	112.4944
North Slope	1,095	1,794,223,660	1,638,560	11.97034	95.0000	19.0000
Pelican	35	2,646,250	75,607	.55234	97.2383	35.2109
Petersburg	581	33,067,805	56,915	.41579	97.9211	47.1024
Sitka	1,765	150,585,865	85,318	.62328	96.8836	31.0883
Skagway	232	23,421,050	100,953	.73750	96.3125	26.1186
St. Mary's	108	660,000	6,111	.04464	99.7768	446.8984
Unalaska	129	13,903,863	107,782	.78739	96.0630	24.4002
Valdez	826	544,885,760	659,668	4.81914	95.0000	19.0000
Wrangell	499	35,755,600	71,655	.52347	97.3827	37.2073
Yakutat	168	2,562,435	15,253	.11143	99.4429	178.5104
TOTALS	71,617	$9,803,324,350 136,885 average				

STATE OF ALASKA
DEPARTMENT OF EDUCATION
PUBLIC SCHOOL FOUNDATION PROGRAM COMPUTATIONS
REVISED REPORT RECAPITULATIONS
1977-78 FISCAL YEAR

1-9-78

	Final ADM (1976-77)	Revised ADM 1st Qtr.	Instr. Units	Instr. Unit Allotment	Basic Need	Level of State Support (95% Min.)	Final Computation of Entitlement	Pe AD
Anchorage	35,332	35,125	2,078*	$27,500	$57,145,000	96.1108	$54,922,517	$156
Bristol Bay	264	237	25	42,625	1,065,625	95.9740	1,022,723	431
Cordova	533	497	43	31,625	1,359,875	97.7110	1,328,747	267
Craig	182	190	19	29,700	564,300	99.0795	559,106	294
Dillingham 40/39	411	405	38	42,625	1,619,750	98.9024	1,601,972	395
Fairbanks	9,071	9,003	574	30,800	17,679,200	95.0000	16,795,240	292
Galena	136	164	17	42,625	724,625	99.6460	722,060	440
Haines	454	423	38	31,625	1,201,750	96.8998	1,164,493	275
Hoonah	280	276	27	30,800	831,600	99.5608	827,948	300
Hydaburg	100	99	14	29,700	415,800	99.5315	413,852	418
Juneau	4,253	4,305	294	27,500	8,085,000	97.2258	7,860,706	182
Kake	202	200	21	29,700	623,700	99.6117	621,278	310
Kenai	5,162	5,634	408	29,700	12,117,600	95.0000	11,511,720	204
Ketchikan	2,583	2,563	180	27,500	4,950,000	96.5021	4,776,854	186
King Cove	126	121	15	41,250	618,750	99.3085	614,471	507
Klawock	79	77	8	29,700	237,600	99.5700	236,578	307
Kodiak	2,102	2,040	171	30,800	5,266,800	97.3900	5,129,377	251
Mat-Su	3,501	3,823	267	28,600	7,636,200	95.6691	7,305,484	191
Nenana	189	198	22	36,781**	809,182	99.3426	803,862	406
Nome	829	799	64	42,625	2,728,000	99.1189	2,703,964	338
North Slope	1,069	1,095	113	42,625	4,816,625	95.0000	4,575,794	417
Pelican	33	35	5	31,040**	155,200	97.2383	150,914	431
Petersburg	597	581	46	28,600	1,315,600	97.9211	1,288,250	221
Sitka	1,656	1,765	124	28,600	3,546,400	96.8836	3,435,880	194
Skagway	208	232	21	29,700	623,700	96.3125	600,701	258
St. Mary's	101	108	18	42,625	767,250	99.7768	765,537	708
Unalaska	119	129	16	41,250	660,000	96.0630	634,016	491
Valdez	953	826	73	31,625	2,308,625	95.0000	2,193,194	265
Wrangell	516	499	42	28,600	1,201,200	97.3827	1,169,761	234
Yakutat	152	168	18	33,000	594,000	99.4429	590,691	351
TOTALS	71,457	71,617	4,799		141,668,957		136,327,690	
Centralized Corres.	434	537	32	27,500	880,000	100.00	880,000	163

**SLA 1977, Chapt 90, Sec. 9

* Based on a preliminary report from the district. The first quarter entitlement has not been determined at this dat

Supplement to REAA Revised Foundation Report dated 12-13-77

STATE OF ALASKA

DEPARTMENT OF EDUCATION

REAA	1st Qtr. ADM 1977-78	1977-78 Revised ADM Elem.	Sec.	Spec.Ed. (Non-Add)	Corres.	Voc. Ed (Non-add)	Instructional Units Elem.	Sec.	Spec. Ed.	Corres.	Voc. Ed.	Total
Adak	615	411	204	6	-	29	25	15	1	-	3	44
AK Central Railbelt	357	198	159	14	-	24	19	17	2	-	4	42
Alaska Gateway	415	225	138	30	52	15	20	16	4	5	2	47
Aleutian	231	156	64	24	11	8	18	9	3	2	1	33
Annette Metlakatla	325	167	158	32	-	29	11	11	4	-	3	29
Bering Straits	472	119	344	28	9	93	15	35	4	1	10	65
Chatham	189	95	94	13	-	11	11	8	2	-	2	23
Chugach	48	39	9	5	-	-	5	2	1	-	-	8
Copper River	751	422	247	55	82	44	35	18	6	7	4	70
Delta/Greely	765	412	317	54	36	65	25	22	6	4	5	62
Iditarod	271	156	103	11	12	27	18	14	2	2	4	40
Kuspuk	356	212	130	11	14	11	25	17	2	2	2	48
Lake & Peninsula	384	281	91	37	12	23	33	13	5	2	3	56
Lower Kuskokwim	1469	622	847	137	-	98	41	61	14	-	9	125
Lower Yukon	902	608	294	72	-	71	45	26	8	-	8	87
Northwest	1514	769	735	106	10	106	64	59	11	2	12	148
Pribilof	187	114	73	16	-	12	10	7	3	-	2	22
Southeast	437	272	65	27	100	13	35	7	4	8	2	56
Southwest	518	345	160	48	13	34	35	17	6	2	5	65
Yukon Flats	285	204	66	19	15	13	19	11	3	2	2	37
Yukon-Koyukuk	657	349	226	34	82	44	38	24	4	7	5	78
TOTALS	11,148	6,176	4,524	779	448	770	547	409	95	46	88	1,185

Supplement of REAA Final Foundation report dated 7-11-77

STATE OF ALASKA
DEPARTMENT OF EDUCATION

REGIONAL EDUCATION ATTENDANCE AREAS	1976-77 Final ADM						Instructional Units					
	Total ADM	Elem.	Sec.	Sp. Ed. (Non-Add)	Corres.	Voc. Ed. (Non-Add)	Elem.	Sec.	Sp. Ed.	Corres.	Voc. Ed.	Total Units
Adak	588	383	205	6	--	15	23	15	1	-	2	41
Alaska Gateway	423	275	106	25	42	12	24	12	4	4	2	46
Aleutian	220	183	37	16	--	11	19	6	3	-	2	30
Annette	398	228	170	26	--	24	16	11	4	-	2	33
Bering Straits	306	160	146	19	--	18	18	16	3	-	2	39
Chatham	157	85	72	13	--	8	10	9	2	-	2	23
Chugach	64	45	19	5	--	--	5	2	1	-	-	8
Copper River	699	392	243	63	64	32	33	18	6	6	3	66
Delta Greely	786	420	340	54	26	48	25	22	6	3	4	60
Iditarod	277	180	97	12	--	13	20	13	2	-	2	37
Kuspuk	360	240	104	11	16	12	26	13	2	2	2	45
Lake & Peninsula	362	269	77	38	16	23	33	10	5	2	3	53
Lower Kuskokwim	1418	670	748	107	--	109	43	49	11	-	9	112
Lower Yukon	704	446	258	68	--	55	34	22	7	-	7	70
Northwest Arctic	1313	742	571	57	5	57	58	49	6	1	6	120
Pribilof	181	117	64	16	--	13	10	6	3	-	2	21
Southeast Island	397	234	57	26	106	5	29	5	4	8	1	47
Southwest	530	363	152	49	15	37	37	16	6	2	5	66
Upper Railbelt	356	203	153	15	--	35	18	16	3	-	4	41
Yukon Flats	293	219	74	16	--	11	21	11	3	-	2	37
Yukon Koyukuk	682	429	206	38	47	44	44	25	5	5	6	85
Totals	10519	6283	3899	680	337	582	546	346	87	33	68	1080
Anchorage On-Base	2866	2866	--	243	--	--	153	--	23	-	-	176
Fairbanks On-Base	2427	1710	712	162	5	63	95	44	11	-	3	153
Grand Totals	15812	10859	4611	1085	342	645	794	390	121	33	71	1409

7-11-77

STATE OF ALASKA DEPARTMENT OF EDUCATION
PUBLIC SCHOOL FOUNDATION PROGRAM COMPUTATIONS
FINAL REPORT RECAPITULATION: 1976-77 FISCAL YEAR

REGIONAL EDUCATION ATTENDANCE AREAS	Revised ADM End 1st Qtr.	Final ADM 1976-77	Instr. Units	Instr. Unit Allotment	Basic Need	Equiv. of Local Support $611.00/ADM	Final Computation of Entitlement	Per ADM
1. Adak	623	588	* 44/ 41	$33,141	$1,458,204	$359,268	$1,817,472	$3,091
2. Alaska Gateway	440	423	* 48/ 46	27,813	1,335,024	258,453	1,593,477	3,767
3. Aleutian	235	220	* 31/ 30	33,141	1,027,371	134,420	1,161,791	5,281
4. Annette	400	398	* 34/ 33	26,250	892,500	243,178	1,135,678	2,853
5. Bering Straits	322	306	* 42/ 39	33,141	1,391,922	186,966	1,578,888	5,160
6. Chatham	155	157	23	27,235	626,405	95,927	722,332	4,601
7. Chugach	72	64	* 10/ 8	30,188	301,880	39,104	340,984	5,329
8. Copper River	740	699	* 68/ 66	28,750	1,955,000	427,089	2,382,089	3,408
9. Delta/Greely	835	786	* 64/ 60	27,813	1,780,032	480,246	2,260,278	2,876
10. Iditarod	305	277	* 40/ 37	35,110	1,404,400	169,247	1,573,647	5,681
11. Kuspuk	366	360	45	35,110	1,579,950	219,960	1,799,910	5,000
12. Lake & Peninsula	346	362	53	33,141	1,756,473	221,182	1,977,655	5,463
13. Lower Kuskokwim	1457	1418	*113/112	34,125	3,856,125	866,398	4,722,523	3,330
14. Lower Yukon	729	704	* 72/ 70	34,125	2,457,000	430,144	2,887,144	4,101
15. Northwest Arctic	1310	1318	120	35,110	4,213,200	805,298	5,018,498	3,808
16. Pribilof	185	181	* 22/ 21	33,141	729,102	110,591	839,693	4,639
17. Southeast Island	396	397	47	26,250	1,233,750	242,567	1,476,317	3,719
18. Southwest	520	530	66	33,141	2,187,306	323,830	2,511,136	4,738
19. Upper Railbelt	358	356	* 42/ 41	33,438	1,404,396	217,516	1,621,912	4,556
20. Yukon Flats	292	293	37	35,110	1,299,070	179,023	1,478,093	5,045
21. Yukon Koyukuk	699	682	* 86/ 85	35,110	3,019,460	416,702	3,436,162	5,038
Totals	10,785	10,519	1107/1080		$35,908,570	$6,427,109	$42,335,679	
Anchorage On-Base	2,876	2,866	176	25,000	4,400,000	--	4,400,000	
Fairbanks On-Base	2,475	2,427	153	27,813	4,255,389	--	4,255,389	
Grand Totals	16,136	15,812	1,436		$44,563,959	$6,427,109	$50,991,068	

*Entitlement based on first quarter reporting. AS Sec. 14.17.180

ADM = average daily membership

AGNES SINCIK (2865)

7/7/77

STATE OF ALASKA
DEPARTMENT OF EDUCATION
PUBLIC SCHOOL FOUNDATION PROGRAM COMPUTATIONS
FINAL REPORTS RECAPITULATION
1976-77 FISCAL YEAR

School District	Revised ADM End of 1st. Qtr.	Final ADM 1976-77	Instr. Units	Instr. Unit Allotment	Basic Need	Level of State Support (95% Min.)	Final Computation of Entitlement	(PER PUPIL) Per ADM
Anchorage	35,622	35,332	2,060	25,000	51,500,000	95.4038	49,132,957	$1,391
*Contact Schools,other	244	264	45	25,000	1,125,000	100.0000	1,125,000	4,261
Bristol Bay	258	264	*27/26	33,141	894,807	95.4993	854,534	3,237
Cordova	527	533	*48/47	28,750	1,380,000	97.3176	1,342,983	2,520
Craig	160	182	19	26,875	510,625	98.9177	505,099	2,775
Dillingham	426	411	*40/39	33,141	1,325,640	98.6323	1,307,509	3,181
Fairbanks	9,387	9,071	*607/591	27,813	16,882,491	95.1513	16,063,910	1,771
Galena	135	136	15	35,110	526,650	99.4123	523,555	3,850
Haines	444	454	42	26,875	1,128,750	96.3233	1,087,249	2,395
Hoonah	280	280	29	26,875	779,375	99.4278	774,915	2,768
Hydaburg	105	100	*14/13	26,875	376,250	99.3584	373,836	3,738
Juneau	4,325	4,253	*296/295	25,000	7,400,000	96.4447	7,136,908	1,678
Kake	208	202	*22/21	26,875	591,250	99.4979	588,281	2,912
Kenai	5,248	5,162	382	26,875	10,266,250	95.0000	9,752,937	1,889
Ketchikan	2,600	2,583	*181/179	25,000	4,525,000	95.2884	4,311,800	1,669
King Cove	124	126	15	33,141	497,115	99.2887	493,579	3,949
Klawock	78	79	8	26,875	215,000	99.4347	213,785	2,706
Kodiak	2,129	2,102	*173/172	28,219	4,881,887	97.0442	4,737,588	2,254
Mat-Su	3,474	3,501	246	25,938	6,380,748	95.6512	6,103,2[illegible]	1,743
Nenana	189	189	22	33,438	735,636	98.9667	728,035	3,852
Nome	887	829	*71/67	33,141	2,353,011	99.0591	2,330,872	2,812
North Slope	1,136	1,069	*117/115	35,110	4,107,870	95.0000	3,902,476	3,651
Pelican	34	33	5	28,219	141,095	96.1117	135,609	4,109
Petersburg	613	597	46	25,938	1,193,148	97.0889	1,158,414	1,940
Selawik	197	193	*20/19	35,110	702,200	99.7249	700,268	3,628
Sitka	1,672	1,656	*123/120	25,938	3,190,374	95.9206	3,060,226	1,848
Skagway	215	208	*20/19	26,875	537,500	95.0133	510,696	2,455
St. Mary's	104	101	17	34,125	580,125	99.6919	578,338	5,726
Unalaska	129	119	*16/14	33,141	530,256	97.5325	517,172	4,346
Valdez	958	953	77	28,750	2,213,750	95.0000	2,103,062	2,207
Wrangell	538	516	*45/44	25,938	1,167,210	97.6175	1,139,401	2,208
Yakutat	162	152	18	28,219	507,942	99.3098	504,436	3,319
Totals	72,608	71,650	*4866/4827				123,798,692	
Correspondence (Centeralized)	434	434	26		650,000		650,000	
							124,448,692	

*Entitlement based on first quarter reporting. AS Sec. 14.17.180

SUPPLEMENTAL TO FINAL FOUNDATION REPORT DATED 7-7-77

STATE OF ALASKA
DEPARTMENT OF EDUCATION

School District	Final ADM 1976-77	Property Value	Value per ADM	Index	Level of State Support (95% Min.)	Matching Ratio: 1 Local Support
Anchorage	35,332	2,935,044,735	83,094	.91924	95.4038	20.7571
Contact Schools	-	-	-	-	-	-
Bristol Bay	264	21,481,048	81,368	.90014	95.4993	21.2187
Cordova	533	25,847,685	48,495	.53648	97.3176	36.2799
Craig	182	3,561,060	19,566	.21646	98.9177	91.3978
Dillingham	411	10,162,467	24,726	.27354	98.6323	72.1159
Fairbanks	9,071	795,157,070	87,659	.96975	95.1513	19.6239
Galena	136	1,445,000	10,625	.11754	99.4123	169.1534
Haines	454	30,177,406	66,470	.73534	96.3233	26.1984
Hoonah	280	2,896,750	10,346	.11445	99.4278	173.7497
Hydaburg	100	1,160,000	11,600	.12833	99.3584	154.8517
Juneau	4,253	273,362,585	64,275	.71106	96.4447	27.1271
Kake	202	1,833,500	9,077	.10041	99.4979	198.1774
Kenai	5,162	727,586,155	140,950	1.55929	95.0000	19.0000
Ketchikan	2,583	220,019,825	85,180	.94232	95.2884	20.2242
King Cove	126	1,607,325	12,859	.14225	99.2887	139.5969
Klawock	79	807,425	10,221	.11307	99.4347	175.8864
Kodiak	2,102	112,324,150	53,437	.59115	97.0442	32.8321
Mat-Su	3,501	275,250,605	78,621	.86975	95.6512	21.9950
Nenana	189	3,549,395	18,681	.20666	98.9667	95.7763
Nome	829	14,101,800	17,011	.18818	99.0591	105.2795
North Slope	1,069	560,968,180	524,760	5.80525	95.0000	19.0000
Pelican	33	2,319,785	70,297	.77767	96.1117	24.7179
Petersburg	597	31,420,066	52,630	.58223	97.0889	33.3508
Selawik	193	959,950	4,974	.05502	99.7249	362.4781
Sitka	1,656	122,573,565	73,751	.81588	95.9206	23.5134
Skagway	208	18,751,910	90,153	.99734	95.0133	19.0533
St. Mary's	101	562,500	5,569	.06161	99.6919	323.6149
Unalaska	119	5,308,500	44,609	.49350	97.5325	39.5270
Valdez	953	228,073,510	239,322	2.64754	95.0000	19.0000
Wrangell	516	22,225,110	43,072	.47649	97.6175	40.9735
Yakutat	152	1,884,050	12,477	.13803	99.3098	143.8952
Totals	71,386	6,452,423,112				
		90,394	Average			

SUPPLEMENT TO FINAL FOUNDATION REPORT DATED 7-7-77

STATE OF ALASKA
DEPARTMENT OF EDUCATION

School District	1976-77 FINAL ADM: Final ADM	Elem.	Second	Sp. Ed. (non-add)	Corres.	Voc. Ed. (non-add)	INSTRUCTIONAL UNITS: Elem.	Second	Spec. Educ.	Corres.	Voc. Ed.	Total
Anchorage	35,332	17,435	17,897	1,758	--	1,890	810	980	164	--	106	2,060
Contr. Schs.	264	95	169	264	--	--	7	13	25	--	--	45
Bristol Bay	264	106	158	17	--	35	9	11	3	--	3	26
Cordova	533	277	256	90	--	72	17	16	9	--	5	47
Craig	182	81	101	10	--	11	7	8	2	--	2	19
Dillingham	411	167	244	57	--	41	11	18	6	--	4	39
Fairbanks	9,071	4,657	4,289	722	125	467	242	243	67	9	30	591
Galena	136	61	75	10	--	12	5	6	2	--	2	15
Haines	454	226	228	36	--	28	15	17	5	--	5	42
Hoonah	280	144	136	48	--	30	10	10	6	--	3	29
Hydaburg	100	48	52	11	--	10	5	5	2	--	1	13
Juneau	4,253	2,172	2,070	400	11	305	117	119	38	2	19	295
Kake	202	114	88	16	--	37	8	7	3	--	3	21
Kenai	5,162	2,780	2,266	373	116	293	175	138	35	8	26	382
Ketchikan	2,583	1,201	1,356	218	26	166	65	79	21	3	11	179
King Cove	126	92	34	10	--	12	7	4	2	--	2	15
Klawock	79	79	--	12	--	--	6	--	2	--	--	8
Kodiak	2,102	1,175	906	192	21	157	78	60	19	3	12	172
Mat-Su	3,501	1,583	1,686	180	232	266	94	100	18	15	19	246
Nenana	189	120	69	19	--	14	9	6	3	--	4	22
Nome	829	403	426	105	--	75	24	27	11	--	5	67
North Slope	1,069	615	450	200	4	84	46	36	19	--	14	115
Pelican	33	22	11	--	--	--	3	2	--	--	--	5
Petersburg	597	406	191	43	--	35	25	13	5	--	3	46
Selawik	193	77	116	18	--	16	6	8	3	--	2	19
Sitka	1,656	742	909	130	5	136	45	52	13	1	9	120
Skagway	208	114	94	10	--	11	8	7	2	--	2	19
St. Mary's	101	72	29	41	--	26	6	3	5	--	3	17
Unalaska	119	61	58	9	--	13	5	5	2	--	2	14
Valdez	953	648	300	107	5	68	38	21	11	1	6	77
Wrangell	516	253	263	59	--	46	16	17	7	--	4	44
Yakutat	152	86	66	19	--	15	7	6	3	--	2	18
TOTALS	71,650	36,112	34,993	5,184	545	4,371	1,926	2,037	513	42	309	4,827

ORGANIZED BOROUGHS 1975 Personal Income Tax Collections

CENSUS DIVISION	NUMBER OF RETURNS	TOTAL ADJUSTED GROSS INCOME	INCOME PER RETURN	EST. STATE INCOME TAX REVENUES	50% OF EST. STATE INCOME TAX REVENUES	40% OF EST. STATE INCOME TAX REVENUES	30% OF EST. STATE INCOME TAX REVENUES
ANCHORAGE	36,200	$550,868,801	$15,213	$22,280,962	$11,140,481	$8,912,384	$6,684,288
BARROW-NORTH SLOPE	769	$10,722,809	$13,943	$433,704	$216,852	$173,481	$130,111
BRISTOL BAY BOROUGH	232	$3,062,136	$13,198	$123,854	$61,927	$49,541	$37,156
FAIRBANKS	17,237	$310,274,674	$18,004	$12,549,661	$6,274,830	$5,019,864	$3,764,898
HAINES	526	$6,692,153	$12,727	$270,677	$135,338	$108,270	$81,203
JUNEAU	4,130	$50,401,060	$14,437	$2,405,827	$1,202,913	$962,330	$721,748
KENAI-COOK INLET	5,094	$84,1[illegible],431	$15,515	$3,402,899	$1,701,449	$1,361,159	$1,020,869
KETCHIKAN	3,953	$56,618,151	$14,322	$2,290,031	$1,145,015	$916,012	$687,009
KODIAK	2,532	$30,271,667	$11,955	$1,224,397	$612,198	$489,758	$367,319
MATANUSKA-SUSITNA	3,169	$53,155,715	$16,773	$2,149,986	$1,074,993	$859,994	$644,995
SEWARD	1,037	$14,138,478	$13,634	$571,858	$285,929	$228,743	$171,557
SITKA	2,067	$29,725,861	$14,244	$1,202,441	$601,220	$480,976	$360,732
TOTALS	76,961	$1,209,147,055		$48,906,301	$24,453,150	$19,562,520	$14,671,890
AVERAGES		$100,762,254	$15,711	$635	$317	$254	$190

UNORGANIZED BOROUGH

CENSUS DIVISION	NUMBER OF RETURNS	TOTAL ADJUSTED GROSS INCOME	INCOME PER RETURN	EST. STATE INCOME TAX REVENUES	50% OF EST. STATE INCOME TAX REVENUES	40% OF EST. STATE INCOME TAX REVENUES	30% OF EST. STATE INCOME TAX REVENUES
ALEUTIAN ISLANDS	[illegible]	[illegible]	[illegible]	[illegible]	$128,486	$102,789	$77,092
ANGOON	[illegible]	[illegible]	[illegible]	[illegible]	$14,837	$11,870	$8,902
BETHEL	[illegible]	[illegible]	[illegible]	$554,776	$277,388	$221,910	$166,432
BRISTOL BAY	[illegible]	$7,872,[illegible]	[illegible]	[illegible]	$159,201	$127,361	$95,521
CORDOVA-MCCARTHY	[illegible]	[illegible]	[illegible]	[illegible]	$166,318	$133,054	$99,791
KOBUK	[illegible]	[illegible]	[illegible]	$458,117	$229,058	$183,246	$137,435
KUSKOKWIM	[illegible]	[illegible]	[illegible]	$148,410	$74,205	$59,364	$44,523
NOME	[illegible]	[illegible]	[illegible]	[illegible]	$291,775	$233,420	$175,065
OUTER KETCHIKAN	[illegible]	[illegible]	[illegible]	$176,271	$88,135	$70,508	$52,881
PRINCE OF WALES	[illegible]	[illegible]	[illegible]	$122,426	$61,213	$48,970	$36,727
SKAGWAY-YAKUTAT	[illegible]	[illegible]	[illegible]	[illegible]	$181,189	$144,951	$108,713
SOUTHEAST FAIRBANKS	[illegible]	[illegible]	[illegible]	$815,694	$407,847	$326,277	$244,708
UPPER YUKON	[illegible]	[illegible]	[illegible]	$147,055	$73,527	$58,822	$44,116
VALDEZ-CHITINA-WHITTIER	[illegible]	[illegible]	[illegible]	$1,845,842	$922,921	$738,337	$553,752
WADE HAMPTON	[illegible]	[illegible]	[illegible]	$190,632	$95,316	$76,253	$57,189
WRANGELL-PETERSBURG	[illegible]	[illegible]	[illegible]	$932,087	$466,043	$372,835	$279,626
YUKON-KOYUKUK	[illegible]	[illegible]	[illegible]	$836,920	$418,460	$334,768	$251,076
TOTALS	[illegible]	[illegible]		$8,111,853	$4,055,926	$3,244,741	$2,433,556
AVERAGES		[illegible]	[illegible]	$525	$263	$211	$158

[illegible]

	NUMBER OF	TOTAL ADJUSTED	INCOME	EST. STATE INCOME TAX

	NUMBER OF RETURNS	TOTAL ADJUSTED GROSS INCOME	PER RETURN	REVENUES
OUTSIDE ALASKA	70,348	$1,364,662,247	$19,399	$55,196,357
UNCLASSIFIED IN ALASKA	17,545	$320,867,984	$18,288	$12,978,115
STATE TOTALS	180,227	$3,095,232,705	$17,174	$125,192,700

prepared by:
legislative affairs agency
january, 1978

1975 PERSONAL INCOME TAX COLLECTIONS

ORGANIZED BOROUGHS

CENSUS DIVISION	NUMBER OF RETURNS	TOTAL ADJUSTED GROSS INCOME	INCOME PER RETURN	EST. STATE INCOME TAX REVENUES	50% OF EST. STATE INCOME TAX REVENUES	40% OF EST. STATE INCOME TAX REVENUES	30% OF EST. STATE INCOME TAX REVENUES
ANCHORAGE	36,209	$550,868,891	$15,213	$22,280,962	$11,140,481	$8,912,384	$6,684,288
BARROW-NORTH SLOPE	769	$10,722,809	$13,943	$433,704	$216,852	$173,481	$130,111
BRISTOL BAY BOROUGH	232	$3,062,136	$13,198	$123,854	$61,927	$49,541	$37,156
FAIRBANKS	17,233	$310,274,674	$18,004	$12,549,661	$6,274,830	$5,019,864	$3,764,898
HAINES	525	$6,692,153	$12,[illegible]	$270,677	$135,338	$108,270	$81,203
JUNEAU	4,120	$59,481,060	$14,437	$2,405,827	$1,202,913	$962,330	$721,748
KENAI-COOK INLET	5,094	$84,132,431	$16,515	$3,402,899	$1,701,449	$1,361,159	$1,020,869
KETCHIKAN	3,953	$56,618,151	$14,322	$2,290,031	$1,145,015	$916,012	$687,009
KODIAK	2,532	$30,271,687	$11,955	$1,224,397	$612,198	$489,758	$367,319
MATANUSKA-SUSITNA	3,160	$53,155,115	$16,777	$2,149,986	$1,074,993	$859,994	$644,995
SEWARD	1,037	$14,135,478	$13,630	$571,858	$285,929	$228,743	$171,557
SITKA	2,087	$29,725,861	$14,244	$1,202,441	$601,220	$480,976	$360,732
TOTALS	76,961	$1,209,147,055		$48,906,301	$24,453,150	$19,562,520	$14,671,890
AVERAGES		$100,762,254	$15,711	$635	$317	$254	$190

UNORGANIZED BOROUGH

CENSUS DIVISION	NUMBER OF RETURNS	TOTAL ADJUSTED GROSS INCOME	INCOME PER RETURN	EST. STATE INCOME TAX REVENUES	50% OF EST. STATE INCOME TAX REVENUES	40% OF EST. STATE INCOME TAX REVENUES	30% OF EST. STATE INCOME TAX REVENUES
ALEUTIAN ISLANDS	647	$6,353,344	$9,819	$256,973	$128,486	$102,789	$77,092
ANGOON	125	$733,652	$5,869	$29,675	$14,837	$11,870	$8,902
BETHEL	1,6[illegible]	$13,716,145	$8,451	$554,776	$277,388	$221,910	$166,432
BRISTOL BAY	[illegible]	$[illegible]	$9,770	$318,403	$159,201	$127,361	$95,521
CORDOVA-MCCARTHY	[illegible]	$8,224,041	$11,150	$332,636	$166,318	$133,054	$99,791
KOBUK	1,007	$11,[illegible]	$11,[illegible]	$458,117	$229,058	$183,246	$137,435
KUSKOKWIM	[illegible]	$3,669,253	$10,[illegible]	$148,410	$74,205	$59,364	$44,523

[illegible]							
[illegible]							
MATANUSKA-SUSITNA	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
SEWARD	1,037	$14,1[illegible]	$13,[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
SITKA	2,087	$29,768,851	$14,244	$1,[illegible]	[illegible]	[illegible]	[illegible]
TOTALS	76,961	$1,[illegible],147,065		$48,906,301	$24,453,150	$19,562,520	$14,671,890
AVERAGES		$100,[illegible]	$15,711	$635	$317	$254	$190

UNORGANIZED BOROUGH

CENSUS DIVISION	NUMBER OF RETURNS	TOTAL ADJUSTED GROSS INCOME	INCOME PER RETURN	EST. STATE INCOME TAX REVENUES	50% OF EST. STATE INCOME TAX REVENUES	40% OF EST. STATE INCOME TAX REVENUES	30% OF EST. STATE INCOME TAX REVENUES
ALEUTIAN ISLANDS	647	$6,353,344	$9,819	$256,973	$128,486	$102,789	$77,092
ANGOON	125	$733,682	$5,869	$29,675	$14,837	$11,870	$8,902
BETHEL	1,623	$13,716,145	$8,451	$554,776	$277,388	$221,910	$166,432
BRISTOL BAY	809	$7,872,127	$9,730	$318,403	$159,201	$127,361	$95,521
CORDOVA-MCCARTHY	625	$8,224,031	$13,158	$332,636	$166,318	$133,054	$99,791
KOBUK	1,007	$11,326,381	$11,247	$458,117	$229,058	$183,246	$137,435
KUSKOKWIM	336	$3,669,253	$10,920	$148,410	$74,205	$59,364	$44,523
NOME	1,446	$14,427,536	$9,977	$583,550	$291,775	$233,420	$175,065
OUTER KETCHIKAN	396	$4,358,100	$11,005	$176,271	$88,135	$70,508	$52,881
PRINCE OF WALES	336	$3,026,840	$9,008	$122,426	$61,213	$48,970	$36,727
SKAGWAY-YAKUTAT	739	$8,959,353	$12,123	$362,378	$181,189	$144,951	$108,713
SOUTHEAST FAIRBANKS	1,033	$20,167,033	$19,522	$815,694	$407,847	$326,277	$244,708
UPPER YUKON	333	$3,635,754	$10,918	$147,055	$73,527	$58,822	$44,116
VALDEZ-CHITNA-WHITTIER	2,083	$45,635,157	$21,908	$1,845,842	$922,921	$738,337	$553,752
WADE HAMPTON	625	$4,713,158	$7,541	$190,632	$95,316	$76,253	$57,189
WRANGELL-PETERSBURG	1,825	$23,044,697	$12,627	$932,087	$466,043	$372,835	$279,626
YUKON-KOYUKUK	1,384	$20,691,805	$14,950	$836,920	$418,460	$334,768	$251,076
TOTALS	15,373	$200,555,420		$8,111,853	$4,055,926	$3,244,741	$2,433,556
AVERAGES		$11,797,377	$13,045	$527	$263	$211	$158

OUTSIDE OF ALASKA AND UNCLASSIFIED IN ALASKA

	NUMBER OF RETURNS	TOTAL ADJUSTED GROSS INCOME	INCOME PER RETURN	EST. STATE INCOME TAX REVENUES
OUTSIDE ALASKA	70,349	$1,364,662,247	$19,399	$55,196,257
UNCLASSIFIED IN ALASKA	17,545	$320,867,034	$18,288	$12,978,115
STATE TOTALS	180,577	$3,095,282,765	$17,174	$125,192,700

prepared by:
legislative affairs agency
january, 1978

SHIVELY

ALASKA HOUSE OF REPRESENTATIVES

Community and Regional Affairs Committee

LISA RUDD, Chair

Pouch V, State Capitol
Juneau, Alaska 99811
(907) 465-3570

9 May 1978

Mr. John Shively
Vice President of Operations
Nana Development Corporation, Inc.
P.O. Box 4-U
Anchorage, Alaska 99509

Dear John,

Thanks so much for your thoughtful letter about HB 202 (taxation in the unorganized borough). I am enclosing a copy of my response to Ms. Johnston's letter. I would like also to address the concerns you raise.

It is not completely true that local governments have been formed when a local tax base develops. There is no local government in Tok, for instance, although there is certainly enough tax base there for at least a second class city. I understand that there <u>is</u> a move afoot to form a borough in the Yukon Flats area, using 150 miles of pipeline as its tax base. (In fact, I have been instrumental in getting $90,000 put into the state budget for FY 79 to fund studies, surveys and public meetings to help the Yukon Flats people decide whether to form a borough.)

I am not at all sure that the state per capita limit on local government taxation of oil and gas production facilities works a hardship on local governments. Rather than being held <u>under</u> the level of other local governments the North Slope Borough and the Kenai Peninsula Borough collect <u>more</u> property taxes per capita than any other boroughs, and the North Slope Borough collects 3 1/2 times as much property tax per capita as the Kenai Borough. (I am referring here to 1976 figures, the only ones available to me as I write this on a Sunday afternoon).

You can argue if you wish that rural areas are supporting the state through oil production, but the fact is that the North Slope development is on <u>state</u> land which the <u>state</u> leased to the oil compaines and the royalties which go into the state treasury were granted to the state in the Statehood Act. If you believe it is true even after all that that the rural areas are supporting the state, then you must a least recognize that it is not because of any effort put forth by the rural populations of the state.

The thing that I think we need the most in this state is the formation of local governments. There is a very unhealthy love/hate relationship developing between the unincorporated areas of the state and the state government. Rural people are dependant on the state and powerless to influence it. I would be willing to have the state fund the entire cost of local governments in the rural areas to get things started, as we have done with the REAAs. But I would have to have some assurances that local governments would tax themselves as soon as their property valuation reached a certain per capita amount. In fact, I have tried to initiate discussions with my own committee and some rural legislators along these lines and have been firmly rebuffed. It is only natural, I suppose, that as long as people in the rural areas can get things free they will resist any proposals which may lead to their having to pay.

To summarize: the present situation is unhealthy. The best way to end it is to encourage the formation of local governments in the rural areas of the state. I have made a number of efforts this year to interest other legislators in various methods of encouraging the formation of local governments without putting financial burdens on those local governments. So far I am the only legislator I know who is interested in that approach.

I believe that unless something is done to form local governments soon we will see the enactment of a state property tax, for the reasons I outlined in my letter to Ms. Johnston.

Let's sit down and talk this over next time you're in Juneau.

Yours sincerely,

Lisa Rudd

LR/vb
cc: Elizabeth Johnston, General Counsel
Janie Leask, Exec. V.P., AFN

NANA DEVELOPMENT CORPORATION, INC.
P.O. BOX 4-U, ANCHORAGE, ALASKA 99509
TELEPHONE (907) 276-6030

April 24, 1978

Honorable Lisa Rudd
Alaska State House of Representatives
Pouch V
State Capital Building
Juneau, Alaska 99811

Dear Lisa:

Elizabeth Johnson of Bristol Bay Native Corporation, was kind enough to send me a copy of a letter relating to taxation in the unorganized borough. I would like to say that I personally concur with all of her comments. I think that the letter states fairly clearly the dilemma facing the State Legislature in attempting to levy a property tax on the unorganized borough.

I believe that there are a couple of further points to be made in regard to taxation in the unorganized borough. The first and most important is that whenever there has been industrial or other economic development in the rural areas, which have provided for a tax base, local government of some kind has been formed. Sometimes in rural areas, this government has been formed over the vigorous objection of people in the State Legislature and the State administration as in the case of the North Slope Borough. It is not that rural people do not want a tax system, it is just tht presently there is not a base out there to support any kind of meaningful government.

You should realize that the State has reduced the possibility of potential rural governments by limiting the amount of taxation that can be received from oil development. It is quite possible that one or more boroughs could have been formed along the pipeline route, but with the State limitation on taxation, this will most likely not take place. It seems inconsistent to me that the State Legislature on one hand limits rural people's ability to tax major economic development such as pipeline yet wants to mandate a tax on small homes and businesses owned by individuals that can barely afford to eek out a living.

I think another point worthy of note is that presently State government is supported by the rural areas. Without the income received from oil development, fisheries, and to a limited extent timber, the State government could not exist in its present form. There seems to be a myth among many Anchorage legislators that the rural parts of the State do not carry out their own weight. I am sure rural people would be more than pleased to retain those revenues that are produced from the rural areas and let Anchorage and Fairbanks try to subsist on the revenues produced from their contributions to the State.

I would be glad to talk to you further on this issue if you would like.

Sincerely yours,

John Shively
Vice President of Operations

JS/mt

cc Elizabeth Johnson
Janie Leask

Ex. V.P.
AFN.

ALASKA HOUSE OF REPRESENTATIVES

Community and Regional Affairs Committee

LISA RUDD, Chair

Pouch V, State Capitol
Juneau, Alaska 99811
(907) 465-3870

26 April 1978

Ms. Elizabeth Johnston
General Counsel - Bristol Bay
Native Corporation
445 E. 5th Avenue P.O. Box 220
Anchorage, Alaska 99510

Dear Ms. Johnston,

Thank you very much for your remarks concerning HB 202, taxation in the unorganized borough. HB 202 has passed out of the Community and Regional Affairs Committee and is now in the House Finance Committee.

My personal feeling is that HB 202 is a needed bill in that it will address an inequity which has existed since statehood. That is, that those residents in the organized municipalities are paying to support not only local government services in their own areas, but also for local government services provided by the state to residents in the unorganized borough.

You suggested that local autonomy cannot be fostered by HB 202. I would, of course, prefer local government incorporation to HB 202. This would allow for local autonomy. However, as long as the state is funding what are normally local government services in the unorganized areas of the state, I must support the levy of a state property tax there.

It may interest you to know that the territorial government instituted a property tax which was levied throughout Alaska. One of the benefits which accrued from that tax and which will accrue to the state again if HB 202 is implemented, is that we will have a current inventory of properties and ownership throughout the state. The cadastral mapping process will straighten out property descriptions and title claims. This is an important tool for planning and value estimating during important negotiations such as D-2, the natural gas pipeline, and other future issues, as well as aiding in the planning of future municipalities.

I do not believe that cadastral mapping and property valuation will be as difficult as you envision. Properties do change hands fairly frequently in the bush. The same mechanisms for property assessment which are used in the organized areas of the state are relevant in the unorganized borough. The sheer magnitude of the inventory task will undoubtedly make it expensive, but once the program is in operation, revenues can be expected to exceed expenses.

To address your points regarding low income in the bush, information presented to the committee did not indicate that Bristol Bay residents are below the state average per capita income level. Rather, they are above the state average. High unemployment is a normal condition throughout the state --urban and rural, organized and unorganized areas. This is not a desirable condition, but it remains with us and property taxes remain an effective mechanism for funding local services.

As the bill passed out of committee, unimproved land was exempted from taxation. With regard to Native Lands, it is clear in the Alaska Native Claims Settlement Act that the state can tax only lands which have been leased or developed. Among those, HB 202 proposes to tax only those which are "improved." I have enclosed a memorandum from Richard Bradley of Legislative Affairs Agency which discusses this issue.

Please rest assured that HB 202 is not in any way a retreat from the state's obligation to provide education for all its residents. As you have stated, the state pays twice as much for education in the unorganized borough as in the organized boroughs. To provide for a property tax in the unorganized borough is simply an effort to equalize the tax burden. And although education is the largest area of concern there is no dedication of funds to education contained in HB 202. The bill is concerned with all those services which are normally local government services provided by the State in the unorganized borough.

I will say in closing that the time for HB 202 has probably not yet arrived, but I believe such a program is not far away. The obvious alternative for people in the unincorporated areas of the state is to form local governments.

Last year the legislature (led by my Community and Regional Affairs Committee) changed the powers of third class boroughs so that the only mandatory responsibility they now have is providing education within their boundaries. Since the state pays most of the cost of education anyway and since many other local government services are supported by revenue sharing from the state, the cost to rural people of maintaining a minimal local government structure should not be too great. I have proposed a minimum $25,000 grant to small villages which receive revenue sharing money, which should ease the burden even further.

Again, thank you for your letter. I hope that my response has clarified some of the issues for your.

Yours sincerely,

Lisa Rudd

Lisa Rudd, Chair

LR/vb
cc: Rep. Nels Anderson
Bristol Bay Native Corporation
Bristol Bay Health Corporation
Enc: Copy of Bradley memo

Bristol
Bay
Native
Corporation 445 E. 5TH AVENUE / P.O. BOX 220 / ANCHORAGE, ALASKA 99510 / PH (907) 278-3602

March 31, 1978

The Honorable Lisa Rudd
Alaska State House of
Representatives
Pouch V
State Capitol Building
Juneau, AK 99811

Dear Representative Rudd:

We have reviewed the proposed H.B. 202 and S.B. 35 dealing with real property taxes in the unorganized borough. While real property taxes are the favored way to support school systems, they cannot be justified in the present instance.

1. Real property taxes have basically three virtues: they preserve the autonomy of the local decision-making; they are subject to equitable exemptions for the poor and elderly; finally, they are relatively simple or inexpensive to administer. However, if real property taxes are levied in unorganized borough, none of these goals will be achieved.

[illegible] HB 202

a. Local autonomy cannot be fostered by the State Legislature making decisions on local tax rates, exemptions or spending. Not only is the State Legislature removed from the locale to be taxed, but seventy-five percent of that body is elected by persons not subject to the tax.

b. Although Alaska Statute 29.53.025(a) permits certain equitable exemptions, they are optional only. For any of them to be effective, a municipality within the borough, then the borough, and finally, in some instances, the voters must act. Unless first-class cities within the unorganized borough have created a $10,000 exemption for residences, the State Legislature functioning as a borough assembly cannot make said exemption a reality. Equity is thereby lost.

[illegible] HB 202. However, as long as [illegible] local govt. [illegible]

The Honorable Lisa Rudd
March 31, 1978
Page 2

c. Real property taxes are, in general, relatively inexpensive to administer. This fact coupled with high compliance makes them extremely appealing to government. However, the factors which make these taxes inexpensive are absent in the bush. In the unorganized borough, real property descriptions, locations, or recorded owners are almost nonexistent. Furthermore, an identifiable market on which to base full and true value is also lacking. Since the comparable sales approach could not be used for valuation, only the capitalization of income and the cost replacement approaches remain. The income approach, of course, could be used only on income-producing property, yet values will be needed for all "improved" real property. Finally, the cost replacement approach is the least fair or reliable one and, in any case, is of aid only as to buildings. Giving these administrative and valuation problems, costs will be substantial, and the worth of any tax correspondingly reduced.

2. Certain weaknesses or problems are inherent in real property taxes. Such taxes are regressive, and their high effective rate influences economic behavior. Both of these problems are exacerbated when real property taxes are instituted in the bush.

a. Real property taxes are regressive. Unlike income taxes, they impose a greater proportional burden on those with low income. For instance, the estimated income per return of Bristol Bay residents is only half that of Anchorage residents while their cost of living is twenty-eight percent higher. Clearly, the proportional burden of real property taxes on such people is great.

b. Real property taxes influence economic choices or the use of resources. Therefore, care must be taken so that such taxes will foster the type of resource allocation which the State favors. At present, the State of Alaska is trying to protect traditional subsistence and, at the same time, trying to encourage development sufficient to reduce unemployment. Neither of these goals is enhanced by real property taxes.

For instance, it is very expensive for commercial enterprises to locate in rural Alaska. They incur additional costs in housing, communications and transportation by so doing. At present, only the fishing or extractive industries are drawn there because of certain resources.

As a result, rural Alaskans suffer from high unemployment which is only partially offset by their subsistence rights. Many outside communities which have struggled with depressed economies have not only cut taxation, but also donated lands to businesses willing to relocate. Yet Alaska is proposing a real property tax for depressed areas.

To complicate matters further, Bob Dozier of the State Assessor's office has proposed that the unimproved land be taxed too. Such an action would force the landowner to choose among developing, paying taxes out of his other income, or losing his land to the State. Therefore such taxes increase pressure for development but, as discussed above, without the existence of development opportunities. Given that many rural Alaskans do not have much by way of other income, more land would move into State ownership through foreclosure. Certainly, this does not protect a subsistence life-style or encourage development.

Even if the problems discussed above do not exist, two technical or legal difficulties remain. H.B. 202 and S.B. 35 fail to adequately take into account Section 21(d) of the Alaska Native Claims Settlement Act and Article IX, Section 7 of the Alaska Constitution. Confusion, litigation and additional expenses for the State and private property owners alike would result.

1. Generally, Section 21(d) provides that Native lands are exempt for twenty years provided that they are not leased or developed. Congress granted this tax moratorium for many reasons. Partially it was additional compensation for Native claims. Partially it was to allow for necessary adjustments to the economic mainstream. The intent was to give Native corporations time to experiment economically before assuming substantial tax burdens, to provide temporary sanctuary for traditional subsistence, and to retard the inexorable movement of Native lands to non-Native hands. Price, <u>The Tax Exemption of Native Lands Under Section 21(d) of the Alaska Native Claims Settlement Act</u>, 6 UCLA-AK. L.REV. 1 (1976). In so doing, Congress has preempted and limited the State of Alaska's options.

The relevant language of section 21(d) is as follows:

> Real property interests conveyed, pursuant to this Act, to a Native individual, Native group, or Village or Regional Corporation which are not developed or leased to third parties, shall be exempt from State and local real property taxes for a period of twenty years ... <u>Provided</u>

Clear in ANCSA that state can tax only lands which have been cleared to ... Among those, HB 202 proposes to tax only those which are "improved".

> That ... local real property taxes ... may be imposed upon leased or developed real property within the jurisdiction of any governmental unit under the laws of the State ...

Yet the State Legislature proposes to tax all improved real property. How does this fit with the phrase "leased or developed"? When the State Legislature is acting as a borough assembly, is it imposing a State or a local tax? Where is the landowner/third-party distinction recognized by the State? Certainly, the proposed bills as presently drafted do not make clear that the State will not encroach on Native rights granted by Congress.

2. Article IX, Section 7 of the Alaska Constitution states that "the proceeds of any State tax or license shall not be dedicated to any special purpose ..." Yet S.B. 35 appropriates the net revenues generated by taxation for the benefit of the unorganized borough. Assuming, arguendo, that S.B. 35 imposes a State tax, then the attempt to dedicate revenues to schools or to local government is unconstitutional. It is of no effect. 1969 Atty Gen'l Opinion #3.

Our final concern is that H.B. 202 and S.B. 35 attempt to link the burdens of taxation to the benefits of education. Yet for the foreseeable future, taxable lands in rural Alaska cannot pay for the high cost of education in the bush. Is the State retreating from its commitment to equal opportunities for all Alaska's children? At present, the State spends twice the money ADM in the unorganized borough as it does in the boroughs. If the State does not continue this type of commitment, only areas with a high assessed valuation of real property can choose to have quality education. For the unorganized borough, such choice is illusory. The State's withdrawal, therefore, would violate equal protection. Serrano v. Priest, 557 P.2d 929 (1977) cert. denied.

Very truly yours,

Elizabeth Johnston

Elizabeth Johnston
General Counsel

cc: Rep. Nels Anderson, Jr.
Bristol Bay Area Health Corp.
Bristol Bay Native Association

HB70

STATE OF ALASKA
THE LEGISLATURE
LEGISLATIVE AFFAIRS AGENCY

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

January 19, 1978

MEMORANDUM

SUBJECT: Individual Income Tax Base in Municipalities (W.O. #4480)

TO: The Honorable Lisa Rudd

FROM: Ken Humphreys K.H.
Research Analyst

This memorandum is in response to your request for information concerning the income tax base in municipalities. We have obtained data from the Department of Revenue which sheds some light on the geographical distribution of individual Alaska income tax collections.

The enclosed table gives actual tabulations for the number of 1975 returns for each census district and total adjusted gross income. Returns were assigned to census divisions on the basis of zip codes. Some 70,348 returns (39% of the total number accounting for 44% of total adjusted gross income) were filed with a zip code outside the state; another 17,545 returns (about 10% of the total number accounting for about 10% of total adjusted gross income) had an Alaskan zip code but are "unclassified" by census district.

On the basis of these tabulations, we have assumed that income tax revenues are proportional to adjusted gross income and generated an estimate for state income tax revenues for each division. Finally, we have, as you requested, applied factors of 30%, 40% and 50% to the estimated state income tax revenues for each division to arrive at approximate amounts that might have been generated under a local income tax such as H.B. 75 would allow.

Census divisions have been categorized under a heading of either Organized Boroughs or Unorganized Borough even though boundaries do not exactly correspond.

Zip code allocation of 1976 returns will not be available until March at the earliest. Until then, the best estimate for 1976 individual income tax revenues by census division can be obtained by multiplying the figures in the enclosed table by $\frac{176,732,500}{125,192,700}$ or 1.41, the ratio of 1976 to 1975 total collections. There is evidence to suggest that there are appreciable differences in the distribution of income from 1975 to 1976, so this method of estimation is not recommended.

Please let us know if you would like further information.

Attachment
KH:dh

SUPPLEMENT TO REVISED FOUNDATION REPORT DATED 1-9-78

STATE OF ALASKA

DEPARTMENT OF EDUCATION

	Revised ADM 1st Qtr.	Elem.	Second.	Sp.Ed. (non-add)	Corres.	Voc.Ed. (non-add)	Elem.	Sec.	Spec.Ed.	Corres.	Voc. Ed.	Total Units
Anchorage	35,125	17,212	17,913	2,107	-	1,806	801	977	198	--	102	2078*
Bristol Bay	237	103	134	12	-	38	9	11	2	--	3	25
Cordova	497	253	244	53	-	64	16	16	6	--	5	43
Craig	190	82	108	11	-	11	7	8	2	--	2	19
Dillingham	405	175	230	57	-	35	12	17	X6	--	3	38
Fairbanks	9,003	4,640	4,214	517	149	574	241	237	48	10	38	574
Galena	164	72	92	9	-	24	6	7	2	--	2	17
Hianes	423	207	216	40	-	27	14	15	5	--	3	38
Hoonah	276	132	144	48	-	33	9	10	5	--	3	27
Hydaburg	99	64	35	12	-	21	6	4	2	--	2	14
Juneau	4,305	2,129	2,167	366	9	348	114	123	35	1	21	294
Kake	200	107	93	18		32	8	7	3	--	3	21
Kenai	5,634	3,053	2,442	330	139	265	193	148	31	10	26	408
Ketchikan	2,563	1,176	1,336	206	51	180	66	78	20	5	11	180
King Cove	121	55	66	13	-	13	5	6	2	--	2	15
Klawock	77	77	-	9	-	-	6	-	2	--	--	8
Kodiak	2,040	1,139	878	216	23	150	77	58	21	3	12	171
Mat-Su	3,823	1,749	1,869	182	205	314	105	110	18	13	21	267
Nenana	198	127	71	17	-	26	9	6	3	--	4	22
Nome	799	438	361	101	-	55	26	24	10	--	4	64
North Slope	1,095	593	495	132	7	107	45	39	13	1	15	113
Pelican	35	21	14	-	-	2	3	2	-	--	-	5
Petersburg	581	406	175	43	-	45	25	12	5	--	4	46
Sitka	1,765	798	959	123	8	137	48	55	12	1	8	124
Skagway	232	124	108	12	-	17	9	8	2	--	2	21
St. Mary's	108	82	26	40	-	35	7	3	5	--	3	18
Unalaska	129	65	64	11	-	10	6	6	2	--	2	16
Valdez	826	368	458	134	-	63	22	32	13	--	6	73
Wrangell	499	267	232	47	-	42	17	15	6	--	4	42
Yakutat	168	94	74	21		16	7	6	3	--	2	18
TOTALS	71,617	35,808	35,218	4,887	591	4,490	1,919	2,041	482	44	313	4,799

* Based on a preliminary report from the district. The first quarter entitlement has not been determined at this date.

STATE OF ALASKA
DEPARTMENT OF EDUCATION
PUBLIC SCHOOL FOUNDATION PROGRAM COMPUTATIONS
REVISED REPORT RECAPITULATIONS
1977-78 FISCAL YEAR

1-9-78

	Final ADM (1976-77)	Revised ADM 1st Qtr.	Instr. Units	Instr. Unit Allotment	Basic Need	Level of State Support (95% Min.)	Final Computation of Entitlement	Per ADM
Anchorage	35,332	35,125	2,078*	$27,500	$57,145,000	96.1108	$54,922,517	$1564
Bristol Bay	264	237	25	42,625	1,065,625	95.9740	1,022,723	4315
Cordova	533	497	43	31,625	1,359,875	97.7110	1,328,747	2674
Craig	182	190	19	29,700	564,300	99.0795	559,106	2943
Dillingham 40/39	411	405	38	42,625	1,619,750	98.9024	1,601,972	3955
Fairbanks	9,071	9,003	574	30,800	17,679,200	95.0000	16,795,240	2926
Galena	136	164	17	42,625	724,625	99.6460	722,060	4403
Haines	454	423	38	31,625	1,201,750	96.8998	1,164,493	2753
Hoonah	280	276	27	30,800	831,600	99.5608	827,948	3000
Hydaburg	100	99	14	29,700	415,800	99.5315	413,852	4180
Juneau	4,253	4,305	294	27,500	8,085,000	97.2258	7,860,706	1826
Kake	202	200	21	29,700	623,700	99.6117	621,278	3106
Kenai	5,162	5,634	408	29,700	12,117,600	95.0000	11,511,720	2043
Ketchikan	2,583	2,563	180	27,500	4,950,000	96.5021	4,776,854	1864
King Cove	126	121	15	41,250	618,750	99.3085	614,471	5078
Klawock	79	77	8	29,700	237,600	99.5700	236,578	3072
Kodiak	2,102	2,040	171	30,800	5,266,800	97.3900	5,129,377	2514
Mat-Su	3,501	3,823	267	28,600	7,636,200	95.6691	7,305,484	1911
Nenana	189	198	22	36,781**	809,182	99.3426	803,862	4060
Nome	829	799	64	42,625	2,728,000	99.1189	2,703,964	3384
North Slope	1,069	1,095	113	42,625	4,816,625	95.0000	4,575,794	4179
Pelican	33	35	5	31,040**	155,200	97.2383	150,914	4312
Petersburg	597	581	46	28,600	1,315,600	97.9211	1,288,250	2217
Sitka	1,656	1,765	124	28,600	3,546,400	96.8836	3,435,880	1947
Skagway	208	232	21	29,700	623,700	96.3125	600,701	2589
St. Mary's	101	108	18	42,625	767,250	99.7768	765,537	7088
Unalaska	119	129	16	41,250	660,000	96.0630	634,016	4915
Valdez	953	826	73	31,625	2,308,625	95.0000	2,193,194	2655
Wrangell	516	499	42	28,600	1,201,200	97.3827	1,169,761	2344
Yakutat	152	168	18	33,000	594,000	99.4429	590,691	3516
TOTALS	71,457	71,617	4,799		141,668,957		136,327,690	
Centralized Corres.	434	537	32	27,500	880,000	100.00	880,000	1639

**SLA 1977, Chapt 90, Sec. 9

* Based on a preliminary report from the district. The first quarter entitlement has not been determined at this date.

Supplement to REAA Revised Foundation Report dated 12-13-77

STATE OF ALASKA

DEPARTMENT OF EDUCATION

	1977-78 Revised ADM						Instructional Units					
REAA	1st Qtr. ADM 1977-78	Elem.	Sec.	Spec.Ed. (Non-Add)	Corres.	Voc. Ed (Non-add)	Elem.	Sec.	Spec. Ed.	Corres.	Voc. Ed.	Total
Adak	615	411	204	6	-	29	25	15	1	-	3	44
AK Central Railbelt	357	198	159	14	-	24	19	17	2	-	4	42
Alaska Gateway	415	225	138	30	52	15	20	16	4	5	2	47
Aleutian	231	156	64	24	11	8	18	9	3	2	1	33
Annette Metlakatla	325	167	158	32	-	29	11	11	4	-	3	29
Bering Straits	472	119	344	28	9	93	15	35	4	1	10	65
Chatham	189	95	94	13	-	11	11	8	2	-	2	23
Chugach	48	39	9	5	-	-	5	2	1	-	-	8
Copper River	751	422	247	55	82	44	35	18	6	7	4	70
Delta/Greely	765	412	317	54	36	65	25	22	6	4	5	62
Iditarod	271	156	103	11	12	27	18	14	2	2	4	40
Kuspuk	356	212	130	11	14	11	25	17	2	2	2	48
Lake & Peninsula	384	281	91	37	12	23	33	13	5	2	3	56
Lower Kuskokwim	1469	622	847	137	-	98	41	61	14	-	9	125
Lower Yukon	902	608	294	72	-	71	45	26	8	-	8	87
Northwest	1514	769	735	106	10	106	64	59	11	2	12	148
Pribilof	187	114	73	16	-	12	10	7	3	-	2	22
Southeast	437	272	65	27	100	13	35	7	4	8	2	56
Southwest	518	345	160	48	13	34	35	17	6	2	5	65
Yukon Flats	285	204	66	19	15	13	19	11	3	2	2	37
Yukon-Koyukuk	657	349	226	34	82	44	38	24	4	7	5	78
TOTALS	11,148	6,176	4,524	779	448	770	547	409	95	46	88	1,185

SUPPLEMENT TO REVISED FOUNDATION REPORT DATED 1-9-78

STATE OF ALASKA
DEPARTMENT OF EDUCATION

School District	Revised ADM 1st Qtr. 1977-78	1-1-76 Property Value	Value per ADM	Index	Level of State Support (95% Min.)	Matching Ratio: 1 Local Support
Anchorage	35,125	$3,739,897,143	$106,474	.77783	96.1108	22.2248
Bristol Bay	237	26,122,279	110,221	.80521	95.9740	23.8386
Cordova	497	31,145,500	62,667	.45781	97.7110	42.6866
Craig	190	4,788,275	25,201	.18411	99.0795	107.6446
Dillingham	405	12,169,965	30,049	.21952	98.9024	90.1098
Fairbanks	9,003	1,237,213,035	137,422	1.00393	95.0000	19.0000
Galena	164	1,589,500	9,692	.07080	99.6460	281.5049
Haines	423	35,901,910	84,874	.62004	96.8998	31.2557
Hoonah	276	3,318,375	12,023	.08783	99.5608	226.7108
Hydaburg	99	1,269,775	12,826	.09370	99.5315	212.4497
Juneau	4,305	326,964,635	75,950	.55485	97.2258	35.0464
Kake	200	2,126,165	10,631	.07766	99.6117	256.5145
Kenai	5,634	908,583,275	161,268	1.17813	95.0000	19.0000
Ketchikan	2,563	245,439,315	95,763	.69958	96.5021	27.5886
King Cove	121	2,290,785	18,932	.13831	99.3085	143.6015
Klawock	77	906,400	11,771	.08600	99.5700	231.4853
Kodiak	2,040	145,763,615	71,453	.52199	97.3900	37.3143
Mat-Su	3,823	453,284,865	118,568	.86619	95.6691	22.0899
Nenana	198	3,563,695	17,998	.13149	99.3426	151.1019
Nome	799	19,273,555	24,122	.17622	99.1189	112.4944
North Slope	1,095	1,794,223,660	1,638,560	11.97034	95.0000	19.0000
Pelican	35	2,646,250	75,607	.55234	97.2383	35.2109
Petersburg	581	33,067,805	56,915	.41579	97.9211	47.1024
Sitka	1,765	150,585,865	85,318	.62328	96.8836	31.0883
Skagway	232	23,421,050	100,953	.73750	96.3125	26.1186
St. Mary's	108	660,000	6,111	.04464	99.7768	446.8984
Unalaska	129	13,903,863	107,782	.78739	96.0630	24.4002
Valdez	826	544,885,760	659,668	4.81914	95.0000	19.0000
Wrangell	499	35,755,600	71,655	.52347	97.3827	37.2073
Yakutat	168	2,562,435	15,253	.11143	99.4429	178.5104
TOTALS	71,617	$9,803,324,350				
		136,885 average				

STATE OF ALASKA DEPARTMENT OF EDUCATION
PUBLIC SCHOOL FOUNDATION PROGRAM COMPUTATIONS
REVISED REPORT RECAPITULATION
1977-78 FISCAL YEAR

12-13-77

Regional Education Attendance Areas	Final ADM 1976-77	Revised ADM 1st qtr.	Instr. Units	Instr. Unit Allot.	Basic Need	Equiv. of Local Support Estimate $650.00	Revised Computation of Entitlement	per ADM
Adak	588	615	44	$38,500	$1,694,000	$399,750	$2,093,750	$3,404
AK Central Railbelt	356	357	42	36,781*	1,544,802	232,050	1,776,852	4,977
Alaska Gateway	423	415	47	33,000	1,551,000	269,750	1,820,750	4,387
Aleutian	220	231	33	41,250	1,361,250	150,150	1,511,400	4,387
Annette Metlakatla	398	325	33/29**	28,875*	952,875	211,250	1,164,125	3,582
Bering Straits	306	472	65	42,625	2,770,625	306,800	3,077,425	6,520
Chatham	157	189	23	29,958*	689,034	122,850	811,884	4,296
Chugach	64	48	9/8**	33,206*	298,854	31,200	330,054	6,876
Copper River	699	751	70	31,625	2,213,750	488,150	2,701,900	3,598
Delta/Greely	786	765	62	33,000	2,046,000	497,250	2,543,250	3,325
Iditarod	277	271	40	42,625	1,705,000	176,150	1,881,150	6,941
Kuspuk	360	356	48	42,625	2,046,000	231,400	2,277,400	6,397
Lake & Peninsula	362	384	56	42,625	2,387,000	249,600	2,636,600	6,866
Lower Kuskokwim	1418	1469	125	42,625	5,328,125	954,850	6,282,975	4,277
Lower Yukon	704	902	87	42,625	3,708,375	586,300	4,294,675	4,761
Northwest	1318	1514	148	42,625	6,308,500	984,100	7,292,600	4,817
Pribilof	181	187	22	41,250	907,500	121,550	1,029,050	5,503
Southeast	397	437	56	28,875*	1,617,000	284,050	1,901,050	4,350
Southwest	530	518	65	42,625	2,770,625	336,700	3,107,325	5,998
Yukon Flats	293	285	37	42,625	1,577,125	185,250	1,762,375	6,184
Yukon-Koyukuk	682	657	78	42,625	3,324,750	427,050	3,751,800	5,702
TOTALS	10,519	11.148	1,190/1,185		46,802,190	7,246,200	54,048,390	

* SLA 1977, Chapter 90, Sec.9

** AS Sec.14.17.031(d)

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No. 9, January 1973

Equalization of Local Government Revenues in Alaska

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AND GOVERNMENT RESEARCH
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To Art Petersen in the interest of sound local government policy Richard W. Garnett

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EQUALIZATION OF LOCAL GOVERNMENT REVENUES IN ALASKA

by

Richard W. Garnett, III

> Now fine and just actions, which political science investigates, admit of much variety and fluctuation of opinion, so that they may be thought to exist only by convention and not by nature. . . . We must be content, then, in speaking of such subjects and with such premises to indicate the truth roughly and in outline. . . . In the same spirit therefore should each type of statement be *received;* for it is the mark of an educated man to look for precision in each class of things just so far as the nature of the subject admits.
>
> Aristotle, *Ethics.*

Introduction

As the development of natural resources in Alaska accelerates, the need to determine how the taxable wealth of the state is to be distributed becomes increasingly important. This paper discusses revenue sharing in Alaska as a means toward equalizing, rather than simply augmenting, revenues of local governments.[1] First, the general problem of financing municipal services is

[1]The term "revenue sharing" ordinarily is applied to transfer downward from one level of government to another, as in the federal-state program recently enacted (H.R. 11950) or the state municipal services revenue sharing program (AS 43.18).

THE PRECEDING DOCUMENT(S MAY NOT FILM LEGIBLY BECAUSE OF POOR QUALITY OF THE ORIGINAL reviewed briefly. Then a description of the Alaska case provides background for discussion of recent legislative efforts in Alaska and suggestions for future policy approaches.

This paper does not discuss fully every aspect of revenue equalization among localities. Rather, it focuses primarily on technical and legal problems involved with such a program. Nevertheless, a realistic approach to this topic cannot ignore the influence of strong social and political forces at work in Alaska on any effort to readjust local tax revenues.

One of these forces is related to the widely accepted, anthropomorphic idea that towns and regions have rights and interests of their own apart from the sum of the rights and interests of the individuals involved. Consequently, a program that takes from one governmental unit and gives to another suggests to many a form of economic egalitarianism that they find unacceptable at both individual and corporate levels.

Further, a comprehensive equalization program involves creation of new taxing units and, perhaps, a state tax to eliminate tax havens. Naturally, the businesses and individuals who benefit from the present situation will oppose changes that subject them to additional taxation and government control.

Race is another factor affecting the situation in Alaska. Rural Alaska is inhabited primarily by Indian and Eskimo people. The growth of political consciousness among Alaska Natives, dramatically symbolized by passage of the Alaska Native Claims Settlement Act, has paralleled a tremendous increase in the wealth and the prospect of wealth in rural Alaska and in the North Slope region in particular. Many regional Native leaders are distinctly wary of any state government activity that might affect the economic prospects of their constituents. Moreover, there is a general fear that local government in rural areas may somehow compete with or impede full implementation of the Claims Act.

By definition, an adequate local government revenue equalization program will result in less economic power for those regions

most extraordinarily endowed with natural wealth.[2] The justification, if any, for reduction of economic power of the North Slope or other regions is the corresponding benefit to other, equally needy and deserving areas where nature was less generous.

The General Problem

Municipal services in the United States are financed largely by revenues from an ad valorem tax on property located within the taxing jurisdiction. The level and quality of services therefore depends on the value of the tax base, which varies widely among different communities and regions. As a result, areas with low valuation per capita must tax themselves at a higher rate than more wealthy areas in order to raise the same revenue.

The value of the local tax base has not always varied so widely. One writer describes the typical composition and effects of the tax base before World War II this way:

> The important thing to remember is that in the pre-war days the total tax base of the community was there to support the needed services. It allowed a logical concentration of commercial and industrial property. It allowed a section of town to be low-value housing without a diminution of services in that area or a severe tax penalty. The tax base to educate the children of the area was the rich man's home, the poor man's home, the places where they both worked and where they shopped. When land was taken off the tax rolls for parks or for other purposes, everyone was affected.

He goes on to note an important structural change in local government organization since the war, and describes the disparity in

[2]It should be noted that the loss may be more theoretical than real, as in the case where taxable property provides potential revenue far in excess of the needs of the local jurisdiction. For example, the North Slope Borough proposes to levy a very small tax on the vast property at Prudhoe Bay. Additional revenue raised from a state tax on this property could benefit other rural areas of the state without undue burden on the owners or loss to the North Slope.

wealth and its effects among local areas which have resulted from this change:

> The post-war experience has been vastly different. The interdependent neighborhoods of the actual total community have become legally independent municipalities . . .
>
> Suburban communities that happen to have the shopping centers and the commercial property—and if they are lucky, the wealthy homes—can live "high on the hog." On the other hand, those communities which are carved out of the northern sand plains in our region, flat and relatively uninteresting, may be in trouble.[3]

The tax-service inequity problem has been challenged in the courts. In *Serrano v. Priest*,[4] the Supreme Court of California held that the state could not maintain a system of financing public education which made the quality of education largely dependent on the taxable wealth of the local school district. In spite of a certain amount of state aid, it was shown at trial that certain areas with low property valuation could not achieve a level of financing for education, even with a relatively high tax rate, that others could achieve with low tax rates.

The court reached its conclusion by characterizing education as a "fundamental interest" and wealth as a "suspect category"[5] when dealing with education. In light of these determinations, the court found that the state must show a "compelling state interest"

[3]Charles R. Weaver, "Urban Fiscal Capacity," *State Government*, Council of State Governments, Lexington, Kentucky (Spring 1972) p. 100-01.

[4]487 P. 2d 1241 (Cal. 1972).

[5]Ordinarily, in reviewing classifications created by state law, courts accord very wide latitude to legislative discretion. However, where the classification relates to certain specially protected areas, such as free speech or voting, and where the basis of the classification appears invidious on its face, as in the case of distinctions according to race or religion, the presumption of validity is replaced by a burden on the state to show that the classification is necessary.

rather than the usual "rational basis" in order to justify its financing system.

In considering wealth a "suspect category" with respect to education, *Serrano* and related cases have alluded to the special nature of education, distinguishing it from other municipal services. Thus, the *Serrano* line of cases has not yet provided direct support for the view that the level of other local government services, such as water supply and sanitation or police protection, also may not be tied to the local tax base.

Nevertheless, when courts enunciate a principle in a particular context it may subsequently be extended to its logical limit. Note, for example, the extension of the one man, one vote principle from the state level to units of general and specialized local government and the progressive elimination of durational residence requirements. If local wealth is a "suspect category" in determining education services, past experience suggests that it will not long remain a legitimate determinant of the level of other local services.

It has already been held that differences in the level of any public service available in a municipality cannot be based on race. In *Hawkins v. Town of Shaw*,[6] the court found that the town provided better services of all kinds to white areas than to black, and held that such a pattern denies equal protection of the laws.

As wealth increasingly becomes a category as suspect as race, it is difficult to see how the courts will be able to avoid extending the "compelling state interest" test beyond education to a broader range of public service disparities. It can be argued that hospitals and police, in their spheres, are as important to local well-being as is public education, and that their availability, too, should not depend on how much wealth a particular community happens to have.

[6]437 F. 2d 1286 (5th Cir. 1971).

In any case, it is clear that local government spending is not immune from equitable constraints, at least in the educational field. Regardless of whether judicial activism carries the *Serrano* principle all the way, that principle deserves serious consideration in legislative policy making for state and local government services and taxation.

The Problem in Alaska

The Alaska constitution calls for "maximum local self-government with a minimum of local government units"[7] and for avoiding "duplication of tax levying jurisdiction."[8] It also directs that "the entire state shall be divided into boroughs, organized or unorganized"[9] and that the legislature "shall provide for the performance of services it deems necessary or advisable in unorganized boroughs . . . "[10]

There are 11 organized boroughs in Alaska, located, with two exceptions,[11] in the more developed areas of the state. A single unorganized borough comprises the rest of the state, an area several times larger than all of the organized boroughs combined (see map on following page).

Organized boroughs levy a property tax inside their boundaries. Cities within the boroughs may also levy taxes, but assessment and collection are exclusively borough responsibilities. Outside organized boroughs, no property tax is levied except within cities that have taxing power.

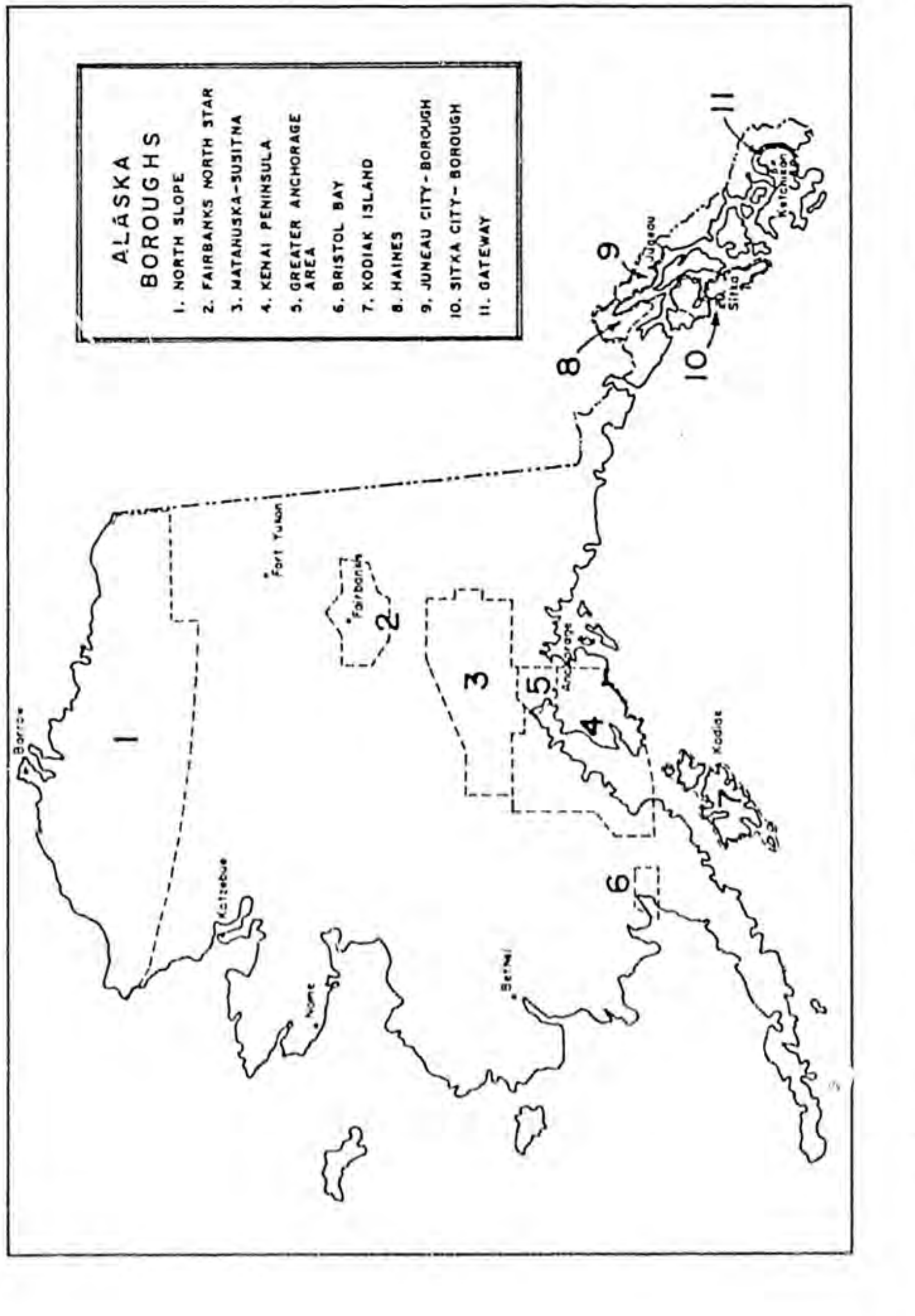
[7] Art. X, Sec. 1, Constitution of Alaska.

[8] *Ibid.*

[9] Art. X, Sec. 3, Constitution of Alaska.

[10] Art. X, Sec. 6, Constitution of Alaska.

[11] The North Slope and Bristol Bay boroughs.



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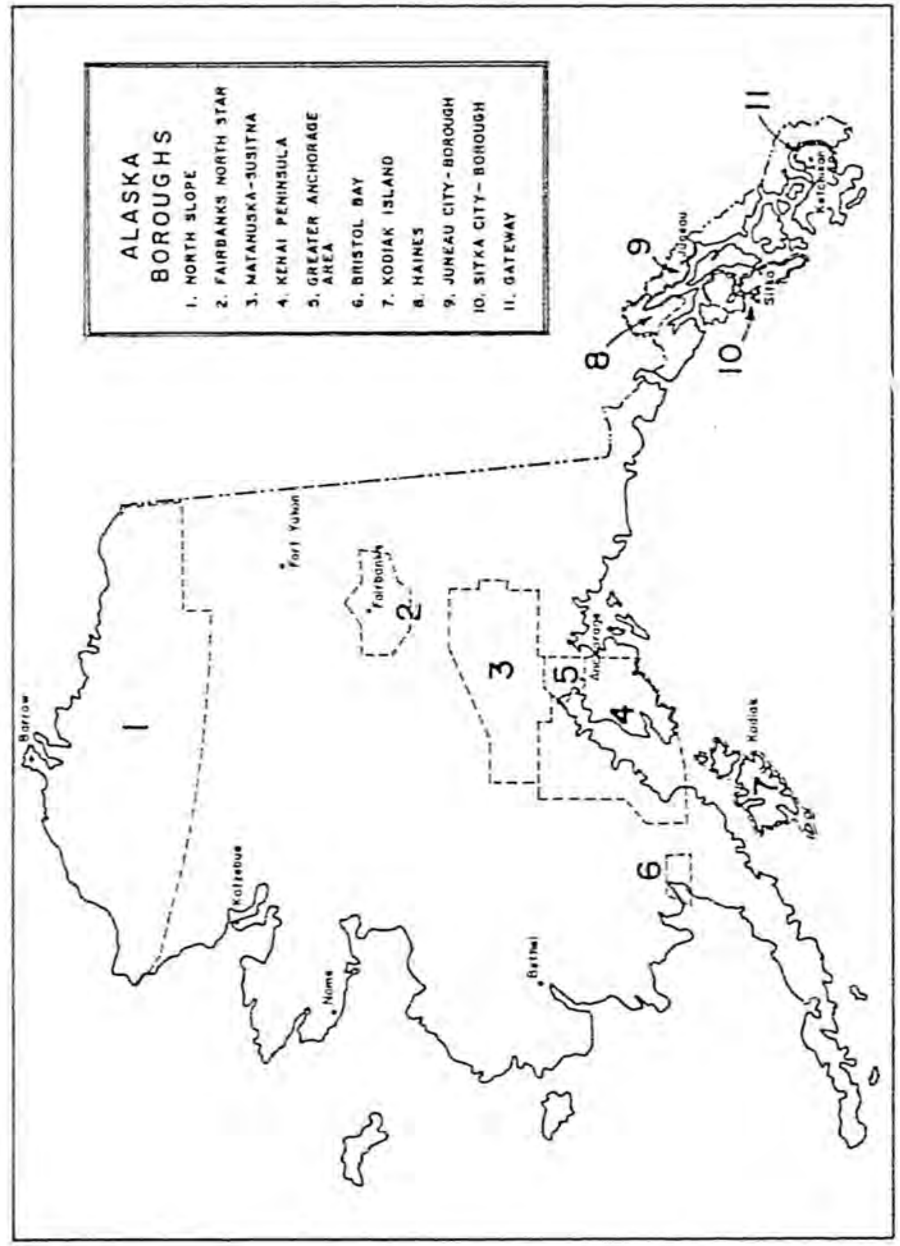

The boroughs are typically quite large relative to local government units in other states. Generally, boroughs encompass one or more core communities, scattered settlements, and a considerable amount of vacant territory. Responsibility for education and other basic services is borough-wide. Accordingly, the whole borough tax base supports certain services for all borough residents.[12] The problem of tax and service equity is therefore on a different scale in Alaska than in the more developed states.

In Alaska the major disparities are among rather than within regions. Taxable wealth per capita in 1967 varied from $3,182 in the Bristol Bay Borough to $16,067 for the Kenai Peninsula Borough.[13] Although assessment figures for the newly organized North Slope Borough have not yet been established, the concentration of property in the Prudhoe Bay area is conservatively estimated at $300 million, yielding a North Slope Borough tax base per capita of approximately $98,000.

No comprehensive assessment of the unorganized borough has been made. However, the present per capita tax base in the unorganized borough is well below the average for organized boroughs, partly because much of the real estate in the unorganized area is tax exempt but more so because the area lacks appreciable commercial and industrial development.

In the more developed and populated states, where the bulk of the tax base is residential, commercial, or manufacturing-industrial, there is at least some correlation between the taxable

[12]It is said with some justification that cities may carry more than their share of the revenue burden by taxing themselves to provide nonareawide services, such as police protection and parks and recreation, which noncity residents utilize. Nevertheless, the system of allocating powers between borough and city contains, however imperfectly, the mechanism for equitable distributions of tax burdens and services.

[13]Thomas A. Morehouse and Victor Fischer, *Borough Government in Alaska*, Institute of Social, Economic and Government Research, University of Alaska, ISEGR Report No. 29 (1971) p. 162.

value of the property and the service requirements that arise from the property itself. (However, such correlation, as the *Serrano* case testifies, is not sufficiently close to avoid constitutional difficulty.) By contrast, the major taxable properties in Alaska are and will be related to mineral extraction. Such activity normally emphasizes capital rather than labor, generating less need for public services than does other revenue-producing activity. Accordingly, it may be anticipated that Alaska local government financing as presently organized, will reflect a significant disparity between the taxable wealth available and the level of services required.

North Slope oil development and the trans-Alaska oil pipeline dramatize this point. Taxable value of the pipeline alone will exceed the total assessed value of property in all organized areas of the state.[14] Moreover, neither the pipeline nor oil production facilities will demand heavy public services. Unlike hotels, shopping centers, factories, and homes, the pipeline will need no sewers, no playgrounds, no schools. It is, in this regard, the ideal addition to a local tax base.

The prospective mining operation at Lost River on the Seward Peninsula is another of several developments that will add to the taxable wealth of the state. At around $50 million, its probable value is small compared to the pipeline, but immeasurably significant relative to the present situation on the peninsula. Comparable mineral development, including oil, may occur in other rural areas of the state as well.

Most of the valuable taxable property that will appear in the unorganized borough will be located in accordance with the distribution of natural resources. Because this distribution bears little relation to the pattern of local jurisdictions and fiscal needs, there will be increasing variation in wealth and services among regions unless an equitable statewide distribution of revenue from Alaska resources can be achieved.

[14]Robert Dozier, *Alaska Taxable*, Local Affairs Agency, Juneau, Alaska (1971) p. 36.

Wealth Distribution and New Boroughs

The disparity in wealth among boroughs that follows from the pattern of development described above has several consequences. The likelihood of severe disparity in service levels among regions has been noted. A less obvious consequence stems from the unfinished nature of the Alaska local government system.

The local government article of the state constitution calls for the division of the state into boroughs, organized and unorganized. The language of the article presupposes plural unorganized units. The specific reference in Section 6 to "maximum local participation and responsibility" in unorganized boroughs indicates that manageable units encompassing communities of interest were contemplated for unorganized as well as organized boroughs.[15]

It is difficult to believe that the single unorganized borough that now exists complies with the intention expressed in the constitution. All indications are that a division of the state into natural socioeconomic units was contemplated. These units would achieve organized status at varying rates. But from the beginning, the people of rural Alaska were to have a governmental framework under state law for identifying regional problems and participating in their solution. Partly as a result of the absense of state-created units and partly for fiscal and political reasons, to be discussed further, the unorganized areas, with the exception of the North Slope, have so far made only negligible movement toward regional governmental organization.

The Need for Organization

Some form of governmental organization should come to rural Alaska as soon as possible. There are several reasons for

[15] See Appendix A for the local government article of the Alaska constitution.

urgency. The first reason is political and social unity. The governmental vacuum in rural Alaska has been occupied in part by the Native corporations established under the Alaska Native Claims Settlement Act. But the claims corporations are private entities outside the framework of state government. If state-ordained forms of local government with appropriate governmental powers remain unavailable to help solve problems in rural Alaska, disenchantment with state government, already evident, may increase and persist to the point of polarization. The potential problem will become more threatening as the contrast continues and increases between regional corporation activity and orthodox local government inactivity.

The terms of the Claims Act certainly are not hostile to the growth of local government. Sec. 2(c) provides that the Act is not intended to diminish the obligation of the state to promote the welfare of Native citizens. In a very real sense, the legacy of local government power is a means by which the state promotes the welfare of its citizens. If services are not provided by local government, the tendency will be to use claims money for this purpose. But this money was intended for payment in settlement of private rights, not in lieu of public services. Also more directly, Sec. 14(c)(3) of the Act provides for transfer to the local (village) municipality of title to the surface estate of land where the municipality is located. Where a municipality has not been formed, the state holds the same land in trust until incorporation.

Another reason for deliberate speed lies in the accelerated pace of economic development anticipated in rural areas, partly as a result of the claims settlement, and partly on the initiative of the private sector. The general welfare in Alaska will be advanced if local government organization precedes rather than follows economic development. New industrial development will create stresses manageable only by application of governmental powers. Planning and zoning will be particularly important in reconciling industrial development with subsistence living, and taxing power will be needed to insure local benefit from development activity. Municipalities which form after major economic interests have become established may be too late to influence significantly the activities of those interests.[16]

On the other hand, it may be futile to extoll the desirability for self-determination to people who presently lack the economic resources necessary to the effective exercise of local government power. In fact, Native leaders wisely may have sensed that organization under such circumstances would only increase frustration as expectations went unsatisfied.

To summarize, a power vacuum presently exists in rural Alaska, where vast resources, actual and anticipated, are unevenly spread across the state, requirements for government services are increasing as the pace of development accelerates, and many areas are financially unable to organize prior to development. In this context, the absence of a mechanism for more efficient and equitable distribution of public revenues is a problem requiring state initiative.

1972 Legislative Program

The Governor introduced to the second session of the Seventh Legislature a series of bills dealing with local government.[17] Five bills were designed to function together as a coherent program to:

- Provide for subdivision of the unorganized borough (HB 596).
- Create a Department of Community and Regional Affairs (HB 552).

[16]The canned salmon, copper, and lumber industries have each furnished examples of economic power wielded in Alaska without effective governmental restraint, with resultant hardship for resident Alaskans.

[17]These bills resulted from extended problem analysis, drafting, and policy review at several levels of state government.

- Levy a 15 mill tax on property located in unorganized boroughs, with distribution of revenue among unorganized boroughs (HB 597).
- Levy a 20 mill tax on the pipeline, with distribution to local governments, organized and unorganized (HB 598).
- Provide for a general equalization of new taxable property, wherever located (not introduced).[18]

The following sections review the bills, discuss their intended operation, and point out the areas of greatest difficulty encountered. The bills are discussed in their final versions, which include committee amendments.

Subdivision of the Unorganized Borough

An essential starting point to organization, HB 596 provided for establishing borough boundaries in the unorganized borough which would conform to statutory and constitutional standards.[19] The unorganized boroughs so formed would serve as units for administering state services and the revenue sharing features of the proposed property and pipeline taxes. The people within each unorganized borough might at their option proceed toward organization either as boroughs of a particular class or as home rule boroughs. This bill was reported favorably by the House Local Government Committee, but died in the House Finance Committee.

[18]See Appendix B through Appendix F for copies of these bills.

[19]A number of previous bills had attempted a similar division into borough units, but they have not provided for charter organization. The Mandatory Borough Act, 52 SLA 1963, sponsored by Senator John Rader, was the only effective state initiative to actually establish boroughs in the unorganized area of the state.

Department of Community and Regional Affairs

A Department of Community and Regional Affairs, as proposed in HB 552, would increase state capacity to meet local government needs created by the increased number of local government units under HB 596. In particular, the department would serve as the arm of the legislature in providing services to unorganized boroughs and would administer the revenue sharing program under the proposed property tax bills. As originally designed, it would have assisted local government units to solve a wide variety of problems, including those related to economic development. However, the major economic development features were eliminated from the final version that was enacted, leaving that function with the Department of Economic Development.

Property Tax

Designed to redistribute revenue from taxable property among the unorganized boroughs, a third bill, HB 597, provided for a general statewide property tax of 15 mills. The intent was to tax property only in unorganized boroughs, but the Department of Law foresaw that a special tax levied only within the unorganized boroughs could be challenged on constitutional grounds. Therefore, the bill applied statewide, but included a $50,000 personal exemption, a credit for the amount of tax paid to any organized city or borough, and a local effort exclusion designed to eliminate whole cities and boroughs from the reach of the tax. These exemption, credit, and exclusion features were expected to insure that little, if any, additional tax would fall on an individual resident of any organized city or borough.[20]

It was suggested during legislative deliberations that the 15 mill rate of the state tax would compel the cities and boroughs to raise their tax rates to 15 mills in order to exclude the state tax. However, this view neglected the effect of the $50,000 exemption. To illustrate, in every case where a taxpayer owned as much as $100,000 in taxable property, and the jurisdiction where the property was located levied at a rate of 7.5 mills or more, no state tax would be paid on that property. This would follow from the fact that 15 mills on the $50,000 taxable by the state would be equalled and cancelled out by 7.5 mills levied on the full $100,000 value.

It would be possible for a taxpayer who owned a great deal of property located in an area where the local tax rate was very low to pay a small amount of state tax. However, the local effort exclusion provided that if the *total* tax revenue from all local tax sources exceeded the state tax, no tax was paid by anyone within that city or borough. Because of the $50,000 exemption and the exemption of certain whole classes of property, it was almost certain that the established cities and boroughs would be excluded under this provision.[21]

The bill gave the legislature authority to appropriate all net revenue from the tax to benefit the unorganized boroughs. The state constitutional prohibition against earmarking tax revenues dictated the "authorized to appropriate" formula.

The new Department of Community and Regional Affairs would administer the appropriated revenue. The money would be held in separate accounts for each unorganized borough. The share of each unorganized borough would be determined according to a

[20] Before Statehood, a property tax was levied in the unorganized borough. Its lack of exemptions caused much difficulty in assessment and collection. The tax cost more to administer than it provided in revenue, and was repealed.

[21] The North Slope Borough could be a notable exception to the operation of the tax in this regard. The vast amount of taxable property at Prudhoe Bay would make it possible for the borough to raise an adequate amount of revenue with a very low mill levy. The difference between the revenue which would be raised by the 15 mill state property tax alone and the revenue collected by the borough would go to the state for distribution among unorganized boroughs. Similar exceptions theoretically could occur whenever there was an unusually high concentration of valuable property relative to local revenue requirements and tax rates.

formula based on population, present wealth, and the cost of providing services. In other words, if the cost of services were twice as great in one area as in another, the first area would receive twice the revenue per capita in order to insure the same level of service. If the first area also had only half the taxable revenue per capita as the second area, the share of the first area would again double per capita with respect to the second area.

The 15 mill tax was withdrawn by the Governor for further study prior to final action.

Pipeline Tax

Designed to complement the 15 mill general property tax, HB 598 provided for a 20 mill tax on property used in oil and gas transportation. Property subject to this tax was limited to oil and gas pipelines over 21 inches in diameter. The 20 mill rate, which approximates the existing tax level for such property in organized boroughs and cities, was to be in lieu of any other state and local taxes on the same property, including the 15 mill tax under HB 597. However, local governments that already taxed property affected by HB 598 would continue to do so with respect to property taxed as of January 1, 1972 (e.g., oil and gas transportation facilities on the Kenai Peninsula). Property that became taxable under HB 598 after January 1, 1972 (e.g., trans-Alaska oil pipeline) would be subject only to the 20 mill state tax.

The rationale for the state tax as the exclusive tax on the oil pipeline was that such property provides immense taxable value to certain areas without regard to the level of services required in those areas. It was believed that the revenue anticipated from taxation of oil and gas pipelines is properly considered a state resource rather than the exclusive property of the area where the property happens to be located. At the same time, it was also felt that this revenue, like other property tax revenue, should be used for the benefit of local governments. Accordingly, the revenue from the state oil and gas pipeline tax would be distributed to all local government units, including cities, organized boroughs, and unorganized boroughs, in accordance with a formula similar to that which governed distribution of the general property tax revenue under HB 597.

The pipeline tax bill passed the House but died in the Senate Finance Committee.

Tax Equalization

The tax equalization bill (not introduced) was simple in concept. It provided for a determination of the *annual increase* in assessed valuation of property in all "governmental units," defined to include cities and boroughs, organized and unorganized. Sixty percent of the new revenue from this increased valuation, raised by application of the mill rate of each jurisdiction, including the 15 mill rate applicable to unorganized boroughs under HB 597, would be remitted to the state. The Department of Community and Regional Affairs would administer this revenue pool. The department would distribute the funds directly to organized units of local government, and, as trustee for unorganized units, would expend amounts to be determined by a distribution formula. The formula was similar to the HB 598 formula, except that a "local effort" provision insured that areas which taxed themselves heavily (thus contributing greater proportionate amounts to the pool) would receive a proportionately higher return.

Distribution Formula

A key to any revenue sharing system is the distribution formula. The 1972 legislative proposals based the distribution of revenues on four factors: (1) need for services, (2) ability to raise revenue, or fiscal capacity, (3) relative cost of services, and (4) local tax effort. Each of these elements may be defined and weighted according to desired goals.

"Need for services" may be expressed as a function of total population, school age population, population density, or other factors. The choice will depend on whether general assistance or special aids for education, housing, or other needs is the aim.

"Fiscal capacity" might be related to assessed value per capita, to average family income, or to number of families below a certain income level. Distribution of the 20 mill tax revenue initially was based on per capita valuation. When the legislature proved reluctant to finance a statewide property assessment, average family income was substituted.

The "cost of services" term created some misunderstanding and was amended to clarify its meaning. Some thought it meant providing an identical level of service for every area; others thought it meant financing only an existing level of service. In fact, it was an abstract measure of how much additional funding might be required to furnish a unit of any given service to Bethel, for example, as compared to Anchorage. It was meant to be a "cost of living" index applied to local government services.

"Local tax effort" had different meanings in different bills. For purposes of the exclusion in HB 597, the property tax bill, it referred to the total amount of tax revenue raised from local sources. It included sales, ad valorem, and any other taxes the municipality might devise. The concern was to avoid any overall increase in the fiscal burden on people living in a tax levying jurisdiction.

The general equalization bill limited "local tax effort" to revenues derived from the property tax as a fraction of total assessed value. The funds to be distributed under this bill all derived from the ad valorem tax. Accordingly, the local effort term in this context was designed simply to assure that return to each jurisdiction was partially commensurate with its contribution.

Legislative Fate

The Department of Community and Regional Affairs bill became law. The general equalization bill was not introduced. The 15 mill property tax bill was withdrawn for further study. The 20 mill pipeline tax bill failed to pass the Senate. Largely because defeat of the 20 mill tax bill left no revenue source for new boroughs, HB 596 providing for subdivision of the unorganized borough also died in the Senate.

Some of the problems with the program were political and some were conceptual. A major objection to the 15 mill property tax, apart from its complexity, was the need for a statewide assessment. Many legislators felt that the estimated return from the tax did not justify the expense of an assessment.

More difficult was a possible contradiction between the operation of the property tax and the goal of early local government organization discussed above. Under HB 597, revenue from the 15 mill property tax went to the unorganized boroughs created by HB 596. Once an area chose to organize and assume its own taxing authority, it would no longer receive revenue under the formula. This result would be a disincentive to organization in areas with low assessed valuations. On the other hand, a high value area would be better off organized, since property within its borders would no longer be a source of revenue for other areas under the terms of HB 597.[22] At the same time, this exclusion could encourage other areas to oppose the organization of a wealthier area, such as the North Slope.

However, exclusion from the 15 mill property tax after incorporation was necessary politically to avoid any suggestion of discrimination between new rural boroughs and established boroughs. In addition, the equalization bill reduced the disincentive problem. If enacted, this bill would have permitted a new borough not only to assume taxing powers on equal footing with

[22] But see footnote 21 above.

other boroughs, but also to draw on revenues from resources outside its own borders. Finally, the distribution of revenues under HB 598, the 20 mill pipeline tax, also would have provided revenue regardless of whether an area was organized.

The 20 mill tax suffered because the major legislative struggle of the 1972 session centered on a package of legislation designed to protect the state's future oil production revenues. When these bills finally were passed, legislative leadership was in no mood to face what appeared to be still another oil revenue bill.[23]

As noted, the borough organization bill failed largely because establishment of new boroughs, in the absense of adequate revenues, might have created expectations which could not be fulfilled. In addition, some Native leaders felt that the state should not be involved in drawing boundaries for rural boroughs, but that people in these areas should determine their own governmental configuration. Especially in rural areas with Native population majorities, Native leaders are most likely to prefer that borough boundaries be coterminous with those of the regional corporations established under the Alaska Native Claims Settlement Act. This is also likely to be the view of state policymakers, unless there are compelling reasons for following a different course. In any case, the Alaska constitution[24] and state Supreme Count decisions on the point[25] indicate that the state has ultimate responsibility for local government boundaries. As noted by the court in the *Fairview* case:

[23]HB 598's relatively simple ad valorem approach to oil revenue (the 20 mill pipeline tax) is likely to command further attention particularly if present measures based on maintenance of wellhead price encounter serious difficulty in court.

[24]Art. X, Sec. 3 and 12.

[25]*Fairview Public Utility District No. 1 v. City of Anchorage*, 368 P. 2d. 540, 543 (Alaska 1962).

> An examination of the relevant minutes of [the Constitutional Convention's committee on local government] meetings shows clearly the concept that was in mind when the local boundary commission was being considered: that local political decisions do not usually create proper boundaries and that boroughs should be established at the state level.[26]

Also, the failure of voluntary borough formation in the years since statehood indicates the practical importance of state initiative in this area.

Conclusion

The 1972 legislative program brought before the legislature and the public much useful information and debate. New programs take time to be perfected in detail and to gain public acceptance. The possible approaches to fiscal resource equalization were by no means exhausted by the 1972 legislative proposals. Given the legal and social pressures involved, it is likely that further attempts will be made, based either on refinements of that legislation or on different concepts. It may be useful to suggest certain tentative principles which seem to emerge from the research and experience generated by the 1972 program:

- Revenue equalization is desirable to promote early formation of rural boroughs, and on legal and equitable grounds.
- A prerequisite to equalization is coherent geographic units; the state should have ultimate control over the configuration of new boroughs.
- Revenue distribution should not be dependent on organizational status. That is, an area should not be forced to assume government responsibility prematurely in order to procure adequate services, and a decision to incorporate should carry no fiscal penalty.

[26]*Ibid.*

- The mechanics of the program should be as simple and orthodox as possible, involving minimum interference with local decision making and minimum disturbance of existing tax bases.

Local government is a volatile policy area, and proposals dealing with local finances can verge on the incendiary. As a result, any legislative decision on new approaches to local government is difficult. But inaction is also a decision, and by now we should know enough about the historical results of inaction in Alaska to prefer innovation, unnerving though it may sometimes be.

A mayor sees a ripoff

By JAY HAMMOND

The governor contends the rewrapped "oil package" now before the Legislature would net greater returns than would those regulatory measures for which so many bled in 1972.

If keyed into his prospectus are revenues from the proposed 20-mil Ad Valorem tax which otherwise could go to municipalities through their own 30-mil property tax, it appears there instead could be a net loss when state and municipal tax potentials are lumped together. Shifting money from local to state coffers does little to fatten us fiscally. Rather like attempting to stave off starvation by cannabilizing one's own hindquarters: temporarily sustained perhaps; but likely to hurt in the end.

Alaska Forum

Jay Hammond

Today's Alaska Forum writer is Jay Hammond, mayor of the Bristol Bay Borough. Hammond is a former Republican legislator from the Bristol Bay area. While in the State Senate, he served as president of that body.

FOR YEARS we tried to lure rural Alaskans into borough status. The blessings of self-determination being obscure to some, we dangled taxing authority, revenue sharing, plus sundry other carrots on a stick as bait. Not sufficient. Now that the alchemy of oil has metamorphosed those few limp lures to a 24-carat cluster Big Brother wants to change the rules of the game.

The North Slope, recognizing gold plated opportunity, acquired tax authority available to all boroughs. No more, no less. This would be new money. The slope's gain was no other area's loss. Appalled that revenues of such size might escape filtration thru its own bureaucratic processes, the state moved quickly to correct the oversight. Thus before the poverty stricken North Slope could even acquire a pair of pants, a scheme was hatched to pick their pockets. But with cause. After all, why should borough government be a boon to some and a burden to the rest of us? Pain should be on par.

Yet inequities in per capita property evaluation are nothing new. Curiously, though, no one suggested the state usurp municipal tax authority and redistribute the wealth simply because Dillingham's per capita evaluation was a fraction that of Anchorage's. But now a rural area suddenly has a per capita potential many times that of the populous urban. This incurs political pinch which can be eased by scattering rural wealth among urban voters. Such a switch in ground rules is at best amoral; at worst, ballot-box bushwhacking.

AT THE VERY least, should the state deny municipalities traditional tax authority it should trade off some of its own. Local governments have been limited to property and sales taxes. The state has preempted the income tax. Rip off part of our property tax? Then replace with some of your own tax authority.

The best one can strive for in taxes is equity. A matter of lesser evils. Few taxes are more unfair than a property tax which extracts tribute from potential rather than production, penalizes community improvement and relates but remotely to need and ability to pay. These inequities are compounded in rural areas where schools are the major municipal cost.

Ironically, in most rural areas those on steady incomes most capable of contributing have virtually a free ride. Government, or company-housed itinerants all impact municipal services. Yet most pay far less for their support than does the property owner who often is struggling to make a meagre livelihood under rough circumstances. In such areas the income tax might be more equitable. But the State has denied municipalities such tax. Perhaps the time has come to reconsider.

CERTAINLY collection and enforcement of an income tax presents problems to small municipalities. Thus they should be allowed, if approved by referendum perhaps, to impose a simple "payroll" tax up to 3 per cent. No deductions. No exemptions. Minimal red tape. Employers would withhold and remand. Property tax credit in an amount equal to pay roll tax paid could avoid "double-barrelling" home-owning, wage earners.

The payroll tax would be especially appropriate on the North Slope where a tremendous influx of construction workers is assured.

For usurption of their property tax municipalities have been offered some sops. They seem inadequate. Limiting local property tax acquisitions to $1000 per capita fails to consider cost of living differentials and existing service vacuums. There is, for example, no high school on the North Slope. Until this deficiency is met along with the provision of at least minimal services that borough should be allowed full taxing powers.

IF AND WHEN they accumulate sufficient revenues all municipalities should be required to assume more financial responsibility. The State has ample means to assure this. Adjustments in School Foundation and Revenue Sharing support could be made by which boroughs with comparable mill levies would receive assistance inversely proportionate to capability of meeting continuing needs.

There's no denial that the North Slope Borough could do some remarkable things with their property tax. A 30-mil levy might enable almost all permanent inhabitants to be put on the pay roll. An affront to the rest of the State? By no means. Some of our most impoverished citizens would come off the welfare rolls. State taxpayers would save except for oil which would pick up the tab. That the industry should support the 20-mil Ad Valorem vs. a 30-mill potential local tax is hardly surprising. Again, the lesser of evils.

The oil industry agreed to the new oil package for one reason. It's a better deal for them. In all probability, it follows, it's a worse deal for the state. However, we'll never know. The 1972 regulatory laws should have been run through the courts. If they stood the state might have profited enormously. Had they fallen we would still have recourse to all the means now under discussion. Regardless, neither "package" would have been fully unwrapped for at least three construction years. Ample time for adjudication. Fashionable these days, however, seems to be courtroom by-pass.

BUT WHAT of threats of pipeline delays should agreements secretly negotiated with the industry not be rubber-stamped? Blackmail? Of course. But blackmail for which we willfully set ourselves up. We lost both bargaining time and space when we committed oil bonus monies to feeding the appetite of a bloating bureaucracy. To provide necessary fiscal fodder some feel we must crop sprouts now rather than await full harvest.

Anchorage Daily News
Nov 7, 1973

LOCAL GOVERNMENT SYMPOSIUM - Aug. 4/5, 1979

THE CHANGING CULTURAL PROFILE OF RURAL ALASKA

Following is an outline of the different kinds and directions of cultural change taking place in rural Alaska as reported by Nancy Yaw Davis in "Steps Toward Understanding Rapid Culture Change in Native Rural Alaska", a paper prepared for the Federal-State Land Use Planning Commission in 1976. These are cited as indicators of cultural change.

1. Change in the general area of complex technology, the most obvious and often erroneously considered the most important, includes marked increase in the items of the modern world. They include store-bought food and clothing, household appliances, tape recorders, radios, new building materials, guns, and a range of new means of transportation: power boats, snowmobiles, motorcycles, and cars. The range of kinds of items bought, or preferred, tells us something about selective use of cash.

2. Closely associated with the items are profound changes in the economic organization of a village. The increased availability of money has led to new kinds of stratification within the community. Money has an unequalizing effect which is hard on values of egalitarian ethic, and often blatantly violates those values.

3. Related to cash are jobs which demand new kinds of skills, motivation, and human relationships. Jobs and their unequal distribution in a community further demarcate and separate people in new ways.

4. Also related to technology and economy is the changing relationship of subsistence to cash. For some families it is first subsistence plus a little cash from trapping, fishing, or a part-time job such as the janitor's job in the school. Later that family may shift to increasing dependence on cash and less and less on subsistence. Still, at the same time in the same village, another family, perhaps even a larger family, maintains a predominately subsistence-dependent life. There, most economic tasks and most capable persons in the family are engaged in traditional activities. I would venture a guess that the shift of the mix of subsistence-plus-cash to cash-plus-subsistence varies greatly throughout village Alaska, and that the mix changes according to the season, number of persons in the family work force, availability of jobs, and availability of subsistence resources. Another point which should be made here is that though a family is predominantly cash dependent, if they live in a village they will continue some subsistence harvest. Indeed, one of the further unequalizing effects of jobs and cash is that a family with a job can afford a snowmobile which allows greater distance and efficiency in resource harvest. Further, values for the taste of subsistence goods continue into the city and the hospital where relatives crave for foods from home and where gifts are often sent which meet real, felt needs for traditional food, and also allow important continuous ties to and from kin in the city and village.

5. Another indicator of change in the economic realm is the increasing level of dependency on government services in the form of cash-producing programs, whether job-related or welfare-related. People in need of things are also in need of money. Now it takes considerable cash to even maintain what is considered a minimum "subsistence" level

of survival. Again, the extent of governmental assistance varies greatly from family-to-family, village-to-village, from season-to-season. The extent of that variation and the ramifications it could have on land planning needs yet to be explored.

In terms of the arrangements of people, the social order is undergoing great changes. Here are a few of them:

6. Increasing heterogeneity of village population is one direction which greatly worries many villagers. More and more non-Natives are coming in and staying with more and more programs and this means potentially less and less local control over village matters. Some of the increasing variety of persons in communities is the result of outsiders coming in, but part of it is also the result of people from many different villages moving to a central place. The consolidation of bands and villages and, further, the development of towns in some locations is a widespread northern phenomena. However, this may not be a one-directional change. Perhaps under the land claims, new options are opened for people to split off from communities which have grown too large and independently form new villages or return to old locations. (This is suggested with the desired return of some people to Chenega, Afognak, and Kaguyak.)

7. Associated with the consolidation of population is the increased separation and stratification of people in new ways. Larger communities require more formal and more specialized relationships reflected in local government, in the range of diversified jobs creating economic stratification, often ranked in terms of prestige, and in special-purpose social groups which intercept only some of the people. Life in a very small village is marked by the enmeshing of most necessary social, economic, and political roles into most all activities. In a town, these dimensions of living become necessarily separate, specialized, and institutionalized. As a result, people become separated along new lines. If new voluntary groups do not form to minimize the fragmentation, a condition found in towns like Bethel, then social disturbances, anomie and other symptoms of depersonalized urban life are likely to occur.

8. Also affiliated with the modernization of small communities are the wider social contacts which are possible. In a village of 400, in contrast to one of 200, the range of potential social contacts are much greater. Also people in small villages now experience leaving their home communities for a wider range of purposes: schooling, hospital care, special training, church meetings, board meetings, and visiting. These excursions not only expand the horizons of village people, they heighten awareness of disparity between village and the town, the town and the city, sometimes negatively and sometimes positively.

9. Closely related to the increased specialization and the wider contacts, comes increased individualization, and the lessening of former family ties. This may be only temporary, however, for when a meandering relative returns to the village, the family expectations must be reestablished and clarified, sometimes a painful and stressful experience.

10. Changes in the moral order inevitably accompany modernization. Somehow the depersonalization process leads to lack of trust, locking of doors, vandalism, and other behavior abhorred by the villages. Former means of informal social controls may cease to be effective and the need for greater formal control in the form of the state trooper becomes an embarrassing necessity. In some areas the state trooper is called for in numerous, minor local disturbances; in other areas, only as a last resort. The frequency of external social control could provide indication of a particular village's current status. Pride in village identity may be at stake.

11. Associated with the changing moral order and the lessening of former constraints are confused reference groups. With which group does a person affiliate? The Native relatives back home, or the Native political leaders of the towns, or the White bosses at work? The range of reference groups increases, as does sometimes the level of potential uncertainty.

12. The necessity of increased political complexity to accommodate the specialization required of modern living in general, and the land claims in particular, places demands on developing new decision-making processes to accommodate the increased range of economic alternatives. For example, the decisions facing a family concerning new alternatives may involve consciously-made political decisions. Who will stay at home to meet all the governmental visitors and maintain political power in the village? Who will take the fire-fighting job which provides needed cash? Who is going to the family fish camp for the traditional food needed to give away at the potlatches in the fall? On another level, who do you vote for--an incompetent relative who expects the vote, the old man who holds traditional power, or the new outsider who has the apparent skills but no kinship? Needless to say, in some villages the political complexity increases at what seems to be an alarming rate.

13. Associated with changing social relationships and the discomfort that creates, is the intensification of indication of nostalgia for the good old days when people willingly helped each other out without pay, people could be trusted, and things were the way they ought to be.

14. Part of the perspective of how things are not the way they ought to be is reflected in awareness of disruption through increased access to and consumption of alcohol in destructive amounts. Part of the rise of interest toward returning to the traditional way of life includes awareness of the disruptive effect of alcohol.

15. Also a part of the modernization process in Alaska are some acute experiences of discrimination in White-Native contacts. These appear to increase as the size of community increases. Open confrontation is more likely to occur in towns and in those villages with an increasing number of permanent White residents. These experiences are devastating to the pride, identity, and dignity of Native peoples and may simultaneously reinforce White assumptions of superiority, setting the scene for further racial conflict. These experiences can also be devastating to

White persons who have for years enjoyed a good working relationship in a village. When they return to find the mood of the village inexplicably turned against them, they may be just as puzzled and hurt as the Native person who has for years enjoyed rapport with White people in the small home village and then is rudely rebuffed when visiting in town.

Many of these indicators of change are the direct result of changing relationships with the world beyond the village and the wider range of ties, obligations, and, for some, opportunities which they represent. Because so many of the changes appear negative, painful, and discomforting, perhaps we can better understand the reluctance of some persons and some whole communities about getting more involved with those changes which result in such negative, destructive processes. Little wonder they wish to slow, control, or even reject further involvement. And little wonder decisions leading to or even suggesting change in their relationship to the land, and implied necessity to "modernize" sometimes meets with verbal and written fear. (See Does One Way of Life Have to Die so Another Can Live? A Report on Subsistence and the Conservation of the Yupik Life-style, Bista Yupikta, 1974.)