

ALASKA LEGISLATURE SPECIAL COMMITTEE/SUBJECT FILES 8672

2388 SCOMM 101: LONG RANGE FINANCIAL PLANNING COMMISSION, 1995

- 1 the state at the next general election in conformity with art. XIII, sec. 1, Constitution of the
- 2 State of Alaska, and the election laws of the state.

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MEMORANDUM

December 13, 1995

SUBJECT: Permanent fund/constitutional amendment
(Work Order No. 9-LS1433\)

TO: Brian Rogers, Chair
Long Range Financial Planning Commission

FROM: Tamara Brandt Cook *TBC*
Director

Here is the new resolution you requested based on the draft prepared by the Department of Law. I know that Assistant Attorney General Jim Baldwin testified in favor of leaving the appropriation limit ambiguous with respect to its application and authorizing the legislature to sort it out statutorily. I suspect, however, that, since the word "years" is used the court, in applying the ordinary meaning, will determine that the provision operates based upon the calendar year--that is, the five year averaging provision will be applied to calendar years and the "annual appropriation" language will be deemed to refer to calendar year appropriations. If this is not an acceptable result, an alternate period that constitutes a year for purposes of this section ought to be specifically identified.

Additionally, of course, there is the question of what an "annual appropriation" consists of. Do we look to the date of enactment, to the effective date of the appropriation (which is commonly 90 days later), or to some other date to determine which year to attribute a particular appropriation to for purposes of calculating whether the appropriation cap has been exceeded? May the legislature, under its power to implement, answer this question by law and, if so, may it change the answer by amending that law and, thus, manipulate the cap? What if a law implementing this section is simply not enacted? This looks to me like a potentially fertile source of litigation. Recall that the legislature has been given similar power to implement the repayment provision of the budget reserve fund, that a law (AS 37.10.420(b)) implementing that provision was indeed enacted, and the court found the law unconstitutional, thereby affording the legislature virtually no discretion in structuring repayment terms. (Hickel v. Cowper, 874 P.2d 922 (Alaska 1994) holding that the term "available for appropriation" used in Art. IX, sec. 17(d) has the same meaning as when the term is used in sec. 17(b) and that the legislature may not statutorily restrict money subject to the repayment provision despite the specific grant of authority to the legislature to implement that repayment provision.)

TBC:lmb
95-282.lmb

Enclosure

SCOMM

101:24

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Yupiit School District
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Akiachak AK 99551

Aniak Public Library
P.O. Box 270
Aniak AK 99557

Cordova Public Library
P.O. Box 1170
Cordova AK 99574

Akiak School/Community Library
Yupiit School District
P.O. Box 52227
Akiak AK 99552

Atkasuk School Community Library
General Delivery
Atkasuk AK 99791

Craig Public Library
P.O. Box 26
Craig AK 99921-0026

Akutan Public Library
P.O. Box 26
Akutan AK 99553

Tuzzy Consortium Library
Pouch 7337
Barrow AK 99723

Ipnatchiaq Public Library
P.O. Box 36049
Deering AK 99736

Alakanuk Public Library
P.O. Box 167
Alakanuk AK 99554

Kuskokwim Consortium Library
Pouch 1068
Bethel AK 99559

Delta Community Library
2288 Deborah St.
P.O. Box 229
Delta Junction AK 99737

Anchor Point Public Library
P.O. Box 129
Anchor Point AK 99556

Big Lake Public Library
P.O. Box 520829
Big Lake AK 99652

Dillingham Public Library
D & Seward Streets
P.O. Box 870
Dillingham AK 99576

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Healy AK 99743

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Cantwell AK 99729

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3600 Denali
Anchorage AK 99503-6093

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Chiniak AK 99615

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12400 Old Glenn Highway
Eagle River AK 99577

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5530 E. Northern Lights Blvd
Anchorage AK 99504-3145

Ruth Riggs Public Library
HC60 Box 3770
Delta Junction AK 99737

Eielson Base Library
3340 Central Ave. Ste. 1
Eielson AFB AK 99702-2150

Samson-Diamond Branch Library
800 East Diamond Blvd. Suite 233
Anchorage AK 99515

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P.O. Box 87
Cold Bay AK 99571-0087

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Elfin Cove AK 99825

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P.O. Box 3078
Anderson AK 99744

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P.O. Box 517
Cooper Landing AK 99572

Elim Community Library
P.O. Box 39050
Elim AK 99739

Patient Branch Library
USAF Hospital
Elmendorf AFB AK 99506

Esther Greenwald Library
Hoonah School/Public Library
P.O. Box 157
Hoonah AK 99829-0157

Kenny Lake Public Library
Mile 5 Edgerton Hwy. HC60 Box 223
Copper Center AK 99573

Elmendorf AFB Library
AK Air Command/Lib Service Cnt
Bldg 6-920 12th St.
Elmendorf AFB AK 99506-5000

Hope/Sunrise Community Library
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Hope AK 99605

Ketchikan Public Library
629 Dock Street
Ketchikan AK 99901

Charles Evans Community Library
P.O. Box 149
Galena AK 99741

Hyder Public Library
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Hyder AK 99923

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319 Lower Mill Bay Road
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P.O. Box 189
Gambell AK 99742

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Girdwood AK 99587

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Koyuk AK 99753

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Gustavus AK 99826

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P.O. Box 450
Kake AK 99830

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Manley Hot Springs AK 99756

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Haines AK 99827

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P.O. Box 10
Kaktovik AK 99747

McGrath Community School Library
P.O. Box 249
McGrath AK 99627

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P.O. Box 6435
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Centennial Library
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Metlakatla AK 99926

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141 W Pioneer Avenue
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Kenai Community Library
163 Main Street Loop
Kenai AK 99611

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General Delivery
Moose Pass AK 99631

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Naknek AK 99633

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655 South Valley Way
Palmer AK 99645

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Drawer D
Seldovia AK 99663

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King Salmon AK 99613

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Pelican AK 99832-0712

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Seward AK 99664

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Nenana AK 99760

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Petersburg AK 99833

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Shishmaref AK 99772

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Nikolai AK 99691

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Point Hope AK 99766

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Port Lions AK 99550

Skagway Public Library
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Skagway AK 99840

Kegoayah Kozga Public Library
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Nome AK 99762

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Ruby AK 99768

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Takotna AK 99675

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Hollis AK 99950

Tenakee Springs Public Library
P.O. Box 35
Tenakee Springs AK 99841

Willow Public Library
P.O. Box 129
Willow AK 99688

Thorne Bay Community Library
General Delivery
Thorne Bay AK 99950

Irene Ingle Public Library
P.O. Box 679
Wrangell AK 99929

Tok Community Library
P.O. Box 227
Tok AK 99780

Egegik Village Library
P.O. Box 29
Egegik AK 99579

Mentasta Lake Village Public Library
Mentasta Lake Village Via
Tok AK 99780

Pilot Station Public Library
P.O. Box 5103
Pilot Station AK 99650

Tuluksak School/Comm Library
Yupit School District
P.O. Box 115
Tuluksak AK 99679

Trapper Creek Public Library
P.O. Box 13388
Trapper Creek AK 99683

Ticasuk Library
P.O. Box 28
Unalakleet AK 99684

Fairbanks North Star Borough Public Library
Noel Wien Library
1215 Cowles Street
Fairbanks AK 99701-4313

Valdez Consortium Library
P.O. Box 609
Valdez AK 99686

Holy Cross School/Community Library
P.O. Box 210
Holy Cross AK 99602

Katie A. Tokrinna Memorial Library
P.O. Box 488
Wales AK 99783-0488

Cully High School/Community Library
General Delivery
Point Lay AK 99759

Wasilla Public Library
391 North Main Street
Wasilla AK 99654-7085

Numamiut School Community Library
P. O. Box 21029
Anaktuvuk Pass AK 99721

SCOMM

101:25

COMMONWEALTH NORTH

Long Range Financial Plan Feedback from Roundtable Participants

Brief Overview: There were 52 participants for the Tuesday, November 28 Commonwealth North LRFP Roundtable discussion. Table leaders led the discussion and gave a brief wrap-up reciting recommendations made by the attendees. The following suggestions were made:

- **Support Endowment, emphasize endowment is for the future.**
- **There is a perception of loss & efficiencies.**
- **Personalize implications of the Plan.**
- **Reverse timing of income tax with the Permanent Fund Dividend cap.**
- **There is an ongoing perception-the state is crying wolf - there is still oil money available.**
- **There is confusion with Federal/national level vs. what's actually done in Alaska.**
- **There is a perception that the legislature would profit from increased knowledge of the plan through additional workshops.**
- **Invite dialogue with the public and discuss the trade-offs.**
- **Reinforce there are no future windfalls - no parachutes left.**
- **Educate the public through various organizations, associations etc. (Use tools and strategy of education vs. selling the plan)**
- **Money on the table contradicts there is a fiscal gap.**
- **Focus on how to bring the fiscal gap to closure.**
- **Emphasize the purpose and foresightedness of the Permanent Fund.**
- **Study/document impact of the plan on economic/rural Alaska and & the family. i.e. Impact on a family of 4 in Fairbanks, family of 4 in a village.**
- **Missing from the plan 1) inadequate capital dollars & 2) impact of federal cuts on the State.**
- **Reduce Budget (the perception remains the number of state workers are too many and state salaries are too high).**
- **Perceptions of government waste need to be addressed.**
- **Fix Permanent Fund Dividend as a fixed percentage/not a dollar amount.**
- **Develop an ad campaign to target PTA's churches, other organizations and associations. Produce a video and television spots to promote adoption of a plan. (Were you here when...)**

Founding Co-Chairmen:

The Former Governor
Walter J. Hickel
The Former Governor
William A. Egan

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Carl H. Mares

John C. Morgan

Susan L. Rodey

Former Governor

William Sheffield

Ken Thompson

William J. Tobin

Executive Director

Rebecca Parker



- **Missing items in the plan: a capital budget - federal impacts.**
- **The plan has flexibility to change with conditions.**
- **Favor an income tax (progressive) vs. capping the Permanent Fund Dividend (regressive)**
- **Present as a package...enacting an income tax and capping the permanent dividend.**

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P. 01

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A SIMPLE PLAN TO

CONTINUE DIVERSIFYING ALASKA'S ASSET BASE

CONTINUE DIVERSIFYING ALASKA'S REVENUE BASE

CLOSE ALASKA'S FISCAL GAP

David A. Rose

October 16, 1995

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P.02

PREFACE

During the past six months, much effort has been expended on studying Alaska's "fiscal Gap". Many ideas have been advanced and incorporated into the final recommendations of the formal study group. The resulting product recommends a series of actions which adversely affect many constituencies. These recommendations require: The making of hard choices; suffering considerable pain; levying new taxes and user fees; reducing Permanent Fund dividends; and transforming our Permanent Fund savings account into a spending account. This comprehensive plan could achieve its goal of closing Alaska's fiscal gap; assuming that two-thirds of the Alaska Legislature agrees with all of its multiple facets and the People of Alaska are willing to accept its challenges and sacrifice.

I do not offer my plan with the intent to denigrate the hard work, dedicated effort and sincerity of the members of the study group. It is offered in the belief that it is simple to understand, easy to execute, will be acceptable to Alaska's Legislature and its People...and it does not require either constitutional or statutory change to the laws governing the Alaska Permanent Fund.

The plan does more than simply close the fiscal gap. It continues the pattern established by Alaskans nineteen years ago, when the Permanent Fund was created, by diversifying Alaska's asset base from 100% natural resources to approximately 33% investment in corporate, industrial and governmental America (\$15 billion of Permanent Fund assets) with 67% remaining as part of Alaska's natural resources (about \$31 billion in reserves).

Similarly, over the past nineteen years, Alaskans have changed the revenue base from almost exclusively oil and gas associated revenues, to a more diversified 33% and 67% split represented by approximate Permanent Fund earnings of \$1 billion versus other revenues of \$2 billion per year.

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P. 23

In a short nineteen years, Alaskan has accomplished much in diversifying its asset and revenue bases. It has converted non-renewable resources into a renewable substitute which will serve it well into the future. Its legislatures have built these bases through additional, generous diversions from spending to investment...above and beyond the statutory requirement to do so.

Why not continue the pattern? The savings account approach has worked well in building and diversifying our assets and revenue bases. The continuance and expansion of this approach to exclusively meet the financial needs of Alaska's government can and will serve the generations of the future.

Alaska has a bright future. We are rich. We have spent more than 35 years since Statehood building our infrastructure and educating our children for the challenges of tomorrow. We have overcome much of the neglect and indifference we suffered as a ward of the Federal Government for almost a hundred years. We have spent some of our wealth and we have saved some as well. This is not the time in Alaska's history to crawl into some hidey-hole. This is not the time to pull the covers over our head and moan and groan and retrench. It is a time to be positive and constructive. We can overcome a fiscal gap without sacrificing our future. This is a time to stay the course, to continue what we have done best over the past nineteen years since we founded the Permanent Fund and diversified our asset and revenue bases.

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P.04

THE ROSE PLAN

This plan involves only two entities within Alaska's governmental framework. These are the Alaska Permanent Fund and The Constitutional Budget Reserve Fund.

The Constitutional Budget Reserve Fund is currently structured as a budget stabilization fund. That is, when revenues are insufficient to meet the level of funding required by the Legislature to operate State government, funds are appropriated out of the fund to cover the shortfall. Essentially, this account is a spending account. Without additional funding, and with withdrawals projected at about \$500 million per year, this \$3 billion account will be consumed in six years.

The Alaska Permanent Fund is a savings account. It has amassed about \$15 billion in assets. Only its income can be appropriated by the Legislature each year. Its principal cannot be touched. Each year, regardless of substantive law providing formulas for inflation proofing the Fund and paying dividends to Alaskans, the Legislature has the ability to appropriate income in any manner it sees fit.

My recommendation is that the Constitutional Budget Reserve Fund be transformed from a spending account to a savings account. It should not be consumed. Its principal should be invested similar to the Permanent Fund and all of its income should be available for appropriation each year. The corpus of this new fund should receive a major contribution from the earnings of the Permanent Fund and should have a steady stream of contributions from the earnings of the Permanent Fund.

During the past ten months, financial markets have created a major windfall for the Alaska Permanent Fund. While the Fund is valued on its books at \$15 billion, it has another \$2 billion in paper profits which it has not taken. These windfall market profits could be taken and combined with funds now held by the Permanent Fund in the Earnings Reserve Account (an account managed by the Permanent Fund but owned by the State General Fund), and transferred to a new, reconstituted Constitutional Budget Reserve Fund. The fund could contain \$5 billion; enough to provide sufficient interest and dividend earnings each year to close the fiscal gap; and it will grow.

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P. 85

Historically, the Permanent Fund Trustees have operated independent of political agendas; and they should continue to do so. In this case, however, there may be common goals. (Enlarge the Constitutional Budget Reserve Fund and take profits.) Rather than be intrusive, the Executive and Legislative branches may simply allow the Permanent Fund to "do its thing" and generate capital gains absent any bold stroke plan. At the end of the year what profits have been taken will show up in the earnings reserve account anyway and will be available for appropriation. (I like the bold stroke approach because paper profits can dwindle through market corrections and I believe it is advantages to take substantial hard cash capital gains under these unique circumstances.)

On a continuing basis, the Legislature can continue to appropriate Permanent Fund earnings each year for three purposes: (1) Dividends; (2) Inflation-proofing; and (3) the corpus of the Constitutional Budget Reserve Fund.

Inflation-proofing should be a "hard look" with no deviation from formula. Dividends should not be reduced but should be capped by either a limit of \$1,000 per capita or by limiting the dividend pool to \$575 million. (Both figures are slightly larger than payout this year.) The balance of earnings each year should be appropriated to the corpus of the Constitutional Budget Reserve. If Permanent Fund earnings are insufficient in any one year to meet inflation proofing or dividend needs, and the Legislature wishes to make necessary appropriations, funds could flow from the Constitutional Budget Reserve Account for those purposes.

If these actions are taken, Alaska will not only have a constant stream of dollars from its second long-term investment account but it will also further diversify its revenue and asset bases. Importantly, the Alaska Permanent Fund begins to fulfill one of its original goals; to help support State Government. However, it does so in a unique way. The funds it provides are not consumed. They are saved to help bulk-up this second fund so that it can satisfactorily deliver perpetual income flows for the sole use of State government.

Clearly, this plan is designed to maintain the Permanent Fund as a savings account. It finds a way for the Permanent Fund to help meet State revenue needs without reconfiguring it.

It is a simple and understandable plan. It will work.

ROSE SCENARIO PROJECTION - 10/24/95

PERMANENT FUND EARNINGS AT 4.79% (real)
Endowment payout 4% of 5-year average market value

(FY 96 Dollars)

	FY 96	FY 97	FY 98	FY 99	FY 00	FY 01	FY 02	FY 03	FY 04	FY 05	FY 06	FY 07	FY 08	FY 09	FY 10
AVAILABLE REVENUES (\$ Millions):															
Existing General Fund sources	1,952	1,863	1,880	1,859	1,822	1,784	1,709	1,656	1,600	1,540	1,454	1,374	1,342	1,274	1,209
Lift ANS Export Ban		19	19	18	18	17	17	16	16	15	15	14	14	13	13
Permanent Fund Net Earnings	1,213	1,137	1,164	1,194	1,226	1,261	1,298	1,337	1,379	1,423	1,469	1,518	1,570	1,624	1,681
CBR Earnings	0	0	213	217	225	229	231	231	235	237	236	232	223	213	199
Permanent Fund Inflation-Proofing	-429	-436	-470	-477	-485	-492	-499	-506	-512	-518	-524	-529	-535	-540	-545
Transfer to Permanent Fund Earnings Reserve	-219	-143	-153	-192	-233	-276	-322	-369	-419	-470	-524	-580	-639	-701	-765
Highway Motor Fuel Tax @ \$.219/gal., indexed)		38	39	39	40	41	41	42	43	43	44	45	45	46	47
Marine Motor Fuel Tax (\$.08/gal., indexed)		5	5	5	5	5	5	5	5	5	6	6	6	6	6
Tobacco Tax (\$1/pkg cigs; 75%/chewing; +25¢ triennially)		42	41	42	51	51	50	59	58	57	66	65	73	70	69
Motor vehicle license fees (double)			28	28	27	27	26	26	26	25	25	25	24	24	23
User fee increases		3	6	8	11	13	12	12	12	11	11	11	10	10	10
Fishery and other resource tax increases		0	28	28	28	28	28	28	28	28	28	28	28	28	28
Tourism tax increases		0	19	19	19	19	19	19	19	19	19	19	19	19	19
Alcohol taxes (increase triennially)		19	19	19	22	22	22	21	25	25	24	24	24	23	23
Income tax @ \$200 M 1995, adjusted for population growth						0	58	224	227	230	234	238	241	245	249
TOTAL REVENUES	2,517	2,548	2,837	2,807	2,777	2,728	2,695	2,802	2,742	2,672	2,583	2,487	2,445	2,355	2,267
Note: Annual Spending Cuts		39	28	27	0	0	0								
EXPENDITURES (\$ Millions):															
Total GF spending on current programs	2,476	2,365	2,264	2,167	2,118	2,135	2,152	2,169	2,186	2,204	2,221	2,239	2,256	2,274	2,293
PF Dividends (cut \$50 M annually 3 yrs then freeze)	565	558	541	524	508	493	477	463	449	435	421	408	396	383	372
TOTAL EXPENDITURES	3,041	2,924	2,805	2,692	2,626	2,627	2,629	2,632	2,635	2,638	2,642	2,647	2,652	2,658	2,664
PROJECTED ANNUAL FISCAL GAP	-524	-376	32	115	151	100	66	170	107	34	-59	-160	-207	-302	-398
Constitutional Budget Reserve beginning balance	2,065	2,046	5,315	5,433	5,627	5,720	5,763	5,773	5,884	5,932	5,909	5,796	5,586	5,324	4,980
Interest	125	128	332	340	352	357	360	361	368	371	369	362	349	333	311
Settlements	500	485	141	137	0	0	0	0	0	0	0	0	0	0	0
Drawn for GF spending (net of GF surplus if any)	0	0	-213	-217	-225	-229	-231	-231	-235	-237	-236	-232	-223	-213	-199
Deficit or Surplus															
Permanent Fund Principal/ERA Transfer to CBR	0	3200	0	0	0	0	0	0	0	0	0	0	0	0	0
Constitutional Budget Reserve ending balance	2,107	5,484	5,606	5,806	5,902	5,947	5,957	6,071	6,121	6,097	5,980	5,764	5,493	5,138	4,691
PF Earnings Reserve beginning balance	703	0	138	282	459	671	918	1,202	1,523	1,881	2,279	2,717	3,196	3,717	4,281
Net from PF Earnings not used for GF	219	143	153	192	233	276	322	369	419	470	524	580	639	701	765
PF Earnings reserve transfer to PF Principal	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
PF Earnings Reserve ending balance	922	143	291	474	692	947	1,240	1,571	1,941	2,352	2,804	3,298	3,835	4,417	5,046
Alaska Permanent Fund beginning balance	14,139	14,356	14,549	14,779	15,015	15,248	15,474	15,691	15,899	16,100	16,294	16,476	16,649	16,823	16,987
Dedicated state revenues - DOR Spring mid-case	217	220	230	236	232	226	217	208	201	193	182	173	174	164	154
FY end principal balance before inflation-proofing & deposits			0	0	0	0	0	0	0	0	0	0	0	0	0
FY end principal balance before inflation-proofing & deposits	14,356	14,576	14,779	15,015	15,248	15,474	15,691	15,899	16,100	16,294	16,476	16,649	16,823	16,987	17,141
Deposits to Principal from CBR	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Deposits to Principal PFER	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Inflation-Proofing	429	436	470	477	485	492	499	506	512	518	524	529	535	540	545
FY ending balance Inflation Proofed	14,785	15,012	15,249	15,493	15,733	15,966	16,189	16,405	16,612	16,812	17,000	17,178	17,358	17,527	17,686
Escrow Accounts and Settlements	142	148	155	163	170	178	186	195	204	213	223	234	245	256	268
Net income (Calculated)	1,174	1,137	1,164	1,194	1,226	1,261	1,298	1,337	1,379	1,423	1,469	1,518	1,570	1,624	1,681
Permanent Fund Dividends	565	558	541	524	508	493	477	463	448	435	421	408	396	383	372
Alaska Permanent Fund ending balance	14,785	15,012	15,249	15,493	15,733	15,966	16,189	16,405	16,612	16,812	17,000	17,178	17,358	17,527	17,686
Alaska Permanent Fund ending balance - market	17,159														

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ROSE SCENARIO PROJECTION - 10/24/95

PERMANENT FUND EARNINGS AT 7.94% (AVG)
CBR EARNINGS AT 6.25%

(Nominal Dollars)

	FY 96	FY 97	FY 98	FY 99	FY 00	FY 01	FY 02	FY 03	FY 04	FY 05	FY 06	FY 07	FY 08	FY 09	FY 10
AVAILABLE REVENUES (\$ Millions):															
Existing General Fund sources	1,952	1,919	1,997	2,038	2,062	2,083	2,059	2,058	2,052	2,038	1,985	1,936	1,950	1,910	1,870
Lift ANS Export Ban		20	20	20	20	20	20	20	20	20	20	20	20	20	20
Permanent Fund Net Earnings	1,213	1,171	1,237	1,309	1,387	1,472	1,564	1,662	1,768	1,883	2,006	2,138	2,281	2,436	2,602
CBR Earnings (@ 4% of prev yr bal)			226	238	255	267	278	287	302	314	323	327	325	319	308
Permanent Fund Inflation-Proofing	-429	-449	-499	-524	-549	-574	-601	-628	-656	-685	-715	-746	-777	-810	-843
Transfer to Permanent Fund Earnings Reserve	-219	-147	-162	-210	-264	-323	-388	-459	-537	-622	-716	-818	-929	-1,051	-1,183
Highway Motor Fuel Tax @ \$.219/gal., indexed)		39	41	43	45	47	50	52	55	57	60	63	66	69	73
Marine Motor Fuel Tax (\$.08/gal., indexed)		5	5	5	6	6	6	7	7	7	8	8	8	9	9
Tobacco Tax (\$1/pkg cigs; 75%/chewing; +25¢ triennially)		43	44	44	56	57	58	71	72	73	87	88	90	102	104
Motor vehicle license fees (double)			29	29	30	30	31	31	32	32	33	33	34	35	35
User fee increases		3	6	9	12	15	15	15	15	15	15	15	15	15	15
Fishery and other resource tax increases			30	31	32	33	34	35	36	37	39	40	41	42	44
Tourism tax increases			20	21	21	22	23	23	24	25	26	27	27	28	29
Alcohol taxes (increase triennially)		20	20	21	25	26	26	26	32	33	33	34	34	35	35
Income tax @ \$200 M 1995, adjusted for population growth						69	278	291	305	320	335	351	368	385	
TOTAL REVENUES	2,517	2,624	3,014	3,075	3,139	3,181	3,244	3,479	3,512	3,532	3,522	3,500	3,536	3,528	3,502
Note: Annual Spending Cuts		40	30	30											
EXPENDITURES (\$ Millions):															
Total GF spending on current programs	2,476	2,436	2,406	2,376	2,396	2,492	2,592	2,695	2,803	2,915	3,032	3,153	3,279	3,410	3,547
PF Dividends	565	575	575	575	575	575	575	575	575	575	575	575	575	575	575
TOTAL EXPENDITURES	3,041	3,011	2,981	2,951	2,971	3,067	3,167	3,270	3,378	3,490	3,607	3,728	3,854	3,985	4,122
PROJECTED ANNUAL FISCAL GAP	-524	-387	33	124	168	114	77	208	134	41	-84	-229	-318	-458	-620
Constitutional Budget Reserve beginning balance	2,006	2,107	5,648	5,957	6,366	6,677	6,941	7,174	7,544	7,848	8,066	8,163	8,118	7,983	7,705
Interest	125	132	353	372	398	417	434	448	472	491	504	510	507	499	482
Settlements	500	500	150	150											
Drawn for GF spending			-226	-238	-255	-267	-278	-287	-302	-314	-323	-327	-325	-319	-308
Deficit or Surplus	-524	-387	33	124	168	114	77	208	134	41	-84	-229	-318	-458	-620
Permanent Fund Principal/ERA Transfer to CBR	0	3,296													
Constitutional Budget Reserve ending balance	2,107	5,648	5,957	6,366	6,677	6,941	7,174	7,544	7,848	8,066	8,163	8,118	7,983	7,705	7,258
PF Earnings Reserve beginning balance	703	0	147	309	520	783	1,106	1,493	1,952	2,489	3,111	3,827	4,645	5,573	6,624
Net from PF Earnings not used for GF	219	147	162	210	264	323	388	459	537	622	716	818	929	1,051	1,183
PF Earnings reserve transfer to PF Principal			0												
PF Earnings Reserve ending balance	922	147	309	520	783	1,106	1,493	1,952	2,489	3,111	3,827	4,645	5,573	6,624	7,807
Alaska Permanent Fund beginning balance	14,139	14,785	15,461	16,204	16,987	17,798	18,637	19,499	20,386	21,300	22,242	23,206	24,195	25,225	26,281
Dedicated state revenues - DOR Spring mid-case	217	227	244	259	263	264	261	259	258	256	249	243	253	246	239
New dedicated state revenues															
FY end principal balance before inflation-proofing & de	14,356	15,012	15,705	16,463	17,250	18,062	18,898	19,758	20,644	21,556	22,491	23,449	24,446	25,471	26,520
Deposits to Principal from CBR	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Deposits to Principal from PFER	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Inflation-Proofing	429	449	499	524	549	574	601	628	656	685	715	746	777	810	843
FY ending balance Inflation Proofed	14,785	15,461	16,204	16,987	17,798	18,637	19,499	20,386	21,300	22,242	23,206	24,195	25,225	26,281	27,364
Escrow Accounts and Settlements	142	153	165	178	192	208	224	242	261	282	305	329	355	384	414
Net income (Calculated)	1,174	1,171	1,237	1,309	1,387	1,472	1,564	1,662	1,768	1,883	2,006	2,138	2,281	2,436	2,602
Permanent Fund Dividends	565	575	575	575	575	575	575	575	575	575	575	575	575	575	575
Alaska Permanent Fund ending balance	14,785	15,461	16,204	16,987	17,798	18,637	19,499	20,386	21,300	22,242	23,206	24,195	25,225	26,281	27,364
Alaska Permanent Fund ending balance-market	17,159														

Long-Range Financial Planning Commission
11:07 AM

CORRECTION

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



Rev. 6/98

Central Microfilm Services
Department of Education
State of Alaska

ROSE SCENARIO PROJECTION - 10/24/95

PERMANENT FUND EARNINGS AT 7.94% (AVG)
CBR EARNINGS AT 6.25%

(Nominal Dollars)

	FY 96	FY 97	FY 98	FY 99	FY 00	FY 01	FY 02	FY 03	FY 04	FY 05	FY 06	FY 07	FY 08	FY 09	FY 10
AVAILABLE REVENUES (\$ Millions):															
Existing General Fund sources	1,952	1,919	1,997	2,038	2,062	2,083	2,059	2,058	2,052	2,038	1,985	1,936	1,950	1,910	1,870
Lift ANS Export Ban		20	20	20	20	20	20	20	20	20	20	20	20	20	20
Permanent Fund Net Earnings	1,213	1,171	1,237	1,309	1,387	1,472	1,564	1,662	1,768	1,883	2,006	2,138	2,281	2,436	2,602
CBR Earnings (@ 4% of prev yr bal)			226	238	255	267	278	287	302	314	323	327	325	319	308
Permanent Fund Inflation-Proofing	-429	-449	-499	-524	-549	-574	-601	-628	-656	-685	-715	-746	-777	-810	-843
Transfer to Permanent Fund Earnings Reserve	-219	-147	-162	-210	-264	-323	-388	-459	-537	-622	-716	-818	-929	-1,051	-1,183
Highway Motor Fuel Tax @ \$.219/gal., indexed)		39	41	43	45	47	50	52	55	57	60	63	66	69	73
Marine Motor Fuel Tax (\$.08/gal., indexed)		5	5	5	6	6	6	7	7	7	8	8	8	9	9
Tobacco Tax (\$1/pkg cigs; 75%/chewing; +25¢ triennially)		43	44	44	56	57	58	71	72	73	87	88	90	102	104
Motor vehicle license fees (double)			29	29	30	30	31	31	32	32	33	33	34	35	35
User fee increases		3	6	9	12	15	15	15	15	15	15	15	15	15	15
Fishery and other resource tax increases			30	31	32	33	34	35	36	37	39	40	41	42	44
Tourism tax increases			20	21	21	22	23	23	24	25	26	27	27	28	29
Alcohol taxes (increase triennially)		20	20	21	25	26	26	26	32	33	33	34	34	35	35
Income tax @ \$200 M 1995, adjusted for population growth							69	278	291	305	320	335	351	368	385
TOTAL REVENUES	2,517	2,624	3,014	3,075	3,139	3,181	3,244	3,479	3,512	3,532	3,522	3,500	3,536	3,528	3,502
Note: Annual Spending Cuts		40	30	30											
EXPENDITURES (\$ Millions):															
Total GF spending on current programs	2,476	2,436	2,406	2,376	2,396	2,492	2,592	2,695	2,803	2,915	3,032	3,153	3,279	3,410	3,547
PF Dividends	565	575	575	575	575	575	575	575	575	575	575	575	575	575	575
TOTAL EXPENDITURES	3,041	3,011	2,981	2,951	2,971	3,067	3,167	3,270	3,378	3,490	3,607	3,728	3,854	3,985	4,122
PROJECTED ANNUAL FISCAL GAP	-524	-387	33	124	168	114	77	208	134	41	-84	-229	-318	-458	-620
Constitutional Budget Reserve beginning balance	2,006	2,107	5,648	5,957	6,366	6,677	6,941	7,174	7,544	7,848	8,066	8,163	8,118	7,983	7,705
Interest	125	132	353	372	398	417	434	448	472	491	504	510	507	499	482
Settlements	500	500	150	150											
Drawn for GF spending			-226	-238	-255	-267	-278	-287	-302	-314	-323	-327	-325	-319	-308
Deficit or Surplus	-524	-387	33	124	168	114	77	208	134	41	-84	-229	-318	-458	-620
Permanent Fund Principal/VERA Transfer to CBR	0	3,296													
Constitutional Budget Reserve ending balance	2,107	5,648	5,957	6,366	6,677	6,941	7,174	7,544	7,848	8,066	8,163	8,118	7,983	7,705	7,258
PF Earnings Reserve beginning balance	703	0	147	309	520	783	1,106	1,493	1,952	2,489	3,111	3,827	4,645	5,573	6,624
Net from PF Earnings not used for GF	219	147	162	210	264	323	388	459	537	622	716	818	929	1,051	1,183
PF Earnings reserve transfer to PF Principal			0												
PF Earnings Reserve ending balance	922	147	309	520	783	1,106	1,493	1,952	2,489	3,111	3,827	4,645	5,573	6,624	7,807
Alaska Permanent Fund beginning balance	14,139	14,785	15,461	16,204	16,987	17,798	18,637	19,499	20,386	21,300	22,242	23,206	24,195	25,225	26,281
Dedicated state revenues - DOR Spring mid-case	217	227	244	259	263	264	261	259	258	256	249	243	253	246	239
New dedicated state revenues															
FY end principal balance before inflation-proofing & de	14,356	15,012	15,705	16,463	17,250	18,062	18,898	19,758	20,644	21,556	22,491	23,449	24,448	25,471	26,520
Deposits to Principal from CBR	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Deposits to Principal from PFER	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Inflation-Proofing	429	449	499	524	549	574	601	628	656	685	715	746	777	810	843
FY ending balance Inflation Proofed	14,785	15,461	16,204	16,987	17,798	18,637	19,499	20,386	21,300	22,242	23,206	24,195	25,225	26,281	27,364
Escrow Accounts and Settlements	142	153	165	178	192	208	224	242	261	282	305	329	355	384	414
Net income (Calculated)	1,174	1,171	1,237	1,309	1,387	1,472	1,564	1,662	1,768	1,883	2,006	2,138	2,281	2,436	2,602
Permanent Fund Dividends	565	575	575	575	575	575	575	575	575	575	575	575	575	575	575
Alaska Permanent Fund ending balance	14,785	15,461	16,204	16,987	17,798	18,637	19,499	20,386	21,300	22,242	23,206	24,195	25,225	26,281	27,364
Alaska Permanent Fund ending balance-market	17,159														

Long-Range Financial Planning Commission
11:07 AM

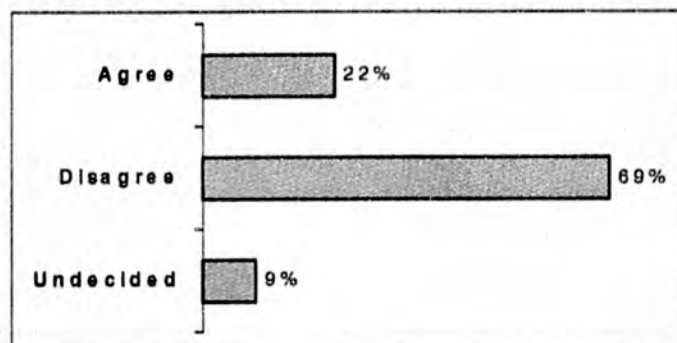


Report on the 1995 PFD Survey Responses

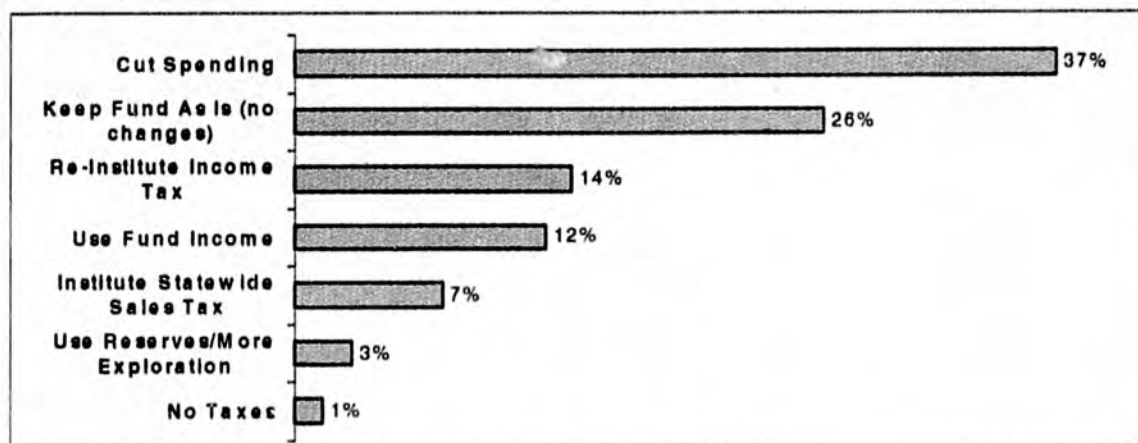
QUESTION #1: When established in 1976, one of the stated purposes of the Permanent Fund was to create a source of revenues to pay the costs of needed government services when oil revenues declined.

Do you support using a portion of Permanent Fund income to meet this objective?

Agree	2,145
Disagree	6,853
Undecided	929
Total Respondents	9,927



QUESTION #2: What are your ideas about the fiscal gap and about whether, when and how to use Permanent Fund income to close it?



12,161 Total Responses

Cut Spending	4,520	Institute Statewide Sales Tax	872
Keep Fund As Is (no changes)	3,128	Use Reserves/More Exploration	344
Re-Institute Income Tax	1,645	No Taxes	169
Use Fund Income	1,463		

LEGAL SERVICES

DIVISION OF LEGAL AND RESEARCH SERVICES LEGISLATIVE AFFAIRS AGENCY STATE OF ALASKA

(907) 465-3867 or 465-2450
FAX (907) 465-2029
Mail Stop 3101

130 Seward Street, Suite 409
Juneau, Alaska 99801-2105

MEMORANDUM

December 13, 1995

SUBJECT: Permanent fund/constitutional amendment
(Work Order No. 9-LS1433\)

TO: Brian Rogers, Chair
Long Range Financial Planning Commission

FROM: Tamara Brandt Cook *TBC*
Director

Here is the new resolution you requested based on the draft prepared by the Department of Law. I know that Assistant Attorney General Jim Baldwin testified in favor of leaving the appropriation limit ambiguous with respect to its application and authorizing the legislature to sort it out statutorily. I suspect, however, that, since the word "years" is used the court, in applying the ordinary meaning, will determine that the provision operates based upon the calendar year--that is, the five year averaging provision will be applied to calendar years and the "annual appropriation" language will be deemed to refer to calendar year appropriations. If this is not an acceptable result, an alternate period that constitutes a year for purposes of this section ought to be specifically identified.

Additionally, of course, there is the question of what an "annual appropriation" consists of. Do we look to the date of enactment, to the effective date of the appropriation (which is commonly 90 days later), or to some other date to determine which year to attribute a particular appropriation to for purposes of calculating whether the appropriation cap has been exceeded? May the legislature, under its power to implement, answer this question by law and, if so, may it change the answer by amending that law and, thus, manipulate the cap? What if a law implementing this section is simply not enacted? This looks to me like a potentially fertile source of litigation. Recall that the legislature has been given similar power to implement the repayment provision of the budget reserve fund, that a law (AS 37.10.420(b)) implementing that provision was indeed enacted, and the court found the law unconstitutional, thereby affording the legislature virtually no discretion in structuring repayment terms. (Hickel v. Cowper, 874 P.2d 922 (Alaska 1994) holding that the term "available for appropriation" used in Art. IX, sec. 17(d) has the same meaning as when the term is used in sec. 17(b) and that the legislature may not statutorily restrict money subject to the repayment provision despite the specific grant of authority to the legislature to implement that repayment provision.)

TBC:lmb
95-282.lmb

Enclosure

9-LS1265C ✓
Chenoweth
9/18/95

BILL NO.

IN THE LEGISLATURE OF THE STATE OF ALASKA

NINETEENTH LEGISLATURE - SECOND SESSION

BY THE _____ RULES COMMITTEE BY REQUEST OF THE LONG RANGE
FINANCIAL PLANNING COMMISSION

Introduced:

Referred:

A BILL**FOR AN ACT ENTITLED**

1 "An Act relating to taxes on cigarettes and tobacco products."

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

3 * Section 1. AS 43.50.190(a) is amended to read:

4 (a) There is levied an excise tax of 62 [12] mills on each cigarette imported
5 or acquired in this state.

6 * Sec. 2. AS 43.50.300 is amended to read:

7 Sec. 43.50.300. EXCISE TAX LEVIED. An excise tax is levied on tobacco
8 products in the state at the rate of 100 [25] percent of the wholesale price of the
9 tobacco products. The tax is levied when a person

10 (1) brings, or causes to be brought, a tobacco product into the state
11 from outside the state for sale;

12 (2) makes, manufactures, or fabricates a tobacco product in the state
13 for sale in the state; or

14 (3) ships or transports a tobacco product to a retailer in the state for
15 sale by the retailer.

* Sec. 3. AS 43.50 is amended by adding a new section to article 4 to read:

Sec. 43.50.365. TAX ADJUSTMENT. (a) The amounts in AS 43.50.190(a) and 43.50.300 change, as provided in this section, according to and to the extent of changes in the Consumer Price Index for all urban consumers for the Anchorage Metropolitan Area compiled by the Bureau of Labor Statistics, United States Department of Labor. The index for January of 1997 is the reference base index.

(b) The amounts change on ~~October 1~~ ^{July 1} of each ~~even-numbered~~ ^{even} year in an amount equal to the percentage of change, calculated to the nearest whole percentage point, between the index for January of that year and the most recent index used to change the exemption amount. However, the amounts do not change if the amounts required by this section are those currently in effect as a result of earlier application of this section.

(c) If the index is revised, the percentage of change is calculated on the basis of the revised index. If a revision of the index changes the reference base index, a revised reference base index is determined by multiplying the reference base index applicable by the rebasing factor furnished by the United States Bureau of Labor Statistics. If the index is superseded, the index referred to in this section is the one represented by the Bureau of Labor Statistics as reflecting most accurately changes in the purchasing power of the dollar for Alaskan consumers.

(d) The department shall adopt a regulation announcing

(1) on or before June 30 of each year in which amounts are to change, the changes in amounts required by (b) of this section; and

(2) promptly after the changes occur, changes in the index required by (c) of this section, including, if applicable, the numerical equivalent of the reference base index under a revised reference base index and the designation or title of any index superseding the index.

(e) The department shall also provide notification of a change in amounts required under (c) of this section to all persons licensed under this chapter.

62M - Oct 1, 1996

75M July 1, 99

87

100

2002

2005

New Text Underlined [DELETED] TEXT BRACKETED

every 3rs
17m inc
life time

**DIVISION OF LEGAL AND RESEARCH SERVICES
LEGISLATIVE AFFAIRS AGENCY
STATE OF ALASKA**

(907) 465-3867 or 465-2450
FAX (907) 465-2029
Mail Stop 3101

130 Seward Street, Suite 409
Juneau, Alaska 99801-2105

MEMORANDUM

September 18, 1995

SUBJECT: Tobacco tax increases (Work Order 9-LS1265\C)

TO: Long Range Financial Planning Commission
ATTN: Melissa Aber Fouse

FROM: Jack Chenoweth
Legislative Counsel

This version increases the tax on cigarettes by 50 mills per cigarette. A mill is one-tenth of a cent (\$.001). There are 20 cigarettes to the pack, so the increase in the tax on cigarettes is 50 mills x 20 cigarettes or \$ 1.00 per pack.

The total tax on cigarettes being proposed by the change set out in this bill would be determined as follows:

Under AS 43.50.090(a), a dedicated levy supporting the school tax:

2.5 mills
x 20 cigarettes = \$.05

Under AS 43.50.190(a), as amended by this bill:

62 mills per cigarette
x 20 cigarettes = \$ 1.24

for a total levy of \$ 1.29 per pack.

*

The tax on other tobacco products (AS 43.50.300) is expressed not in terms of mills but in percentage of value of the product being taxed. A 300% increase in the current rate translates into an increase in the product's percentage of value from the current 25% to 100%.

JBC:pl
95-139.plm

Enclosure

MEMORANDUM

State of Alaska
Department of RevenueTO: Brad Pierce
Policy Analyst
Office of Management and Budget

DATE: November 2, 1995

TELEPHONE NO: 465-4773

FROM: Robert Bartholomew 
Deputy Director
Income and Excise Audit Division

SUBJECT: LRFPC Legislation

Tobacco Tax Increase

The current tobacco tax is based on two separate assessments. One collects revenue for the general fund and on the second for the school fund. The proposed legislation increases the tax only for the general fund component. There is approximately a 400% increase in the tax which is deposited into the general fund. Section 1 increases the general fund cigarette tax from 12 mills to 62 mills (ie; from 1.2 cents a cigarette to 6.2 cents or from 24 cents a pack to \$1.24). Section 2 increases the general fund tax on tobacco products from 25% of the wholesale price to 100%. Section 3 establishes a requirement to adjust the tax every two years for upward changes in the CPI. Comments on this requirement are the same as for motor fuel above. We are still reviewing the impact on consumption from the increase in prices.

**DIVISION OF LEGAL AND RESEARCH SERVICES
LEGISLATIVE AFFAIRS AGENCY
STATE OF ALASKA**

(907) 465-3867 or 465-2450
FAX (907) 465-2029
Mail Stop 3101

130 Seward Street, Suite 409
Juneau, Alaska 99801-2105

MEMORANDUM

September 6, 1995

SUBJECT: Cigarette tax increase (Work Order No. 9-LS1265\A)

TO: Long Range Financial Planning Commission
ATTN: Melissa Aber Fouse

FROM: Jack Chenoweth
Legislative Council

A word of explanation about 9-LS1265\A.

The tax on cigarettes is measured in mills-per-cigarette. A mill is one-tenth of a cent (\$.001). There are 20 cigarettes to the pack.

AS 43.50.090(a) imposes a 2 and one-half mill per cigarette tax, recovering 5 cents per pack. This levy supports a dedicated fund, the school tax. To avoid questions about altering the dedicated tax, we avoid drafting to that section.

The change, then, is to AS 43.50.190(a), the additional tax levy on cigarettes that does not support a dedicated fund.

The total tax of cigarettes being proposed by the change set out in this bill would be \$1.00 per pack:

Under AS 43.50.090(a):

2.5 mills
x 20 cigarettes = \$.05

Under AS 43.50.190(a), amended by this bill:

47.5 mills per cigarette
x 20 cigarettes = \$.95

for a total levy of one dollar.

JBC:pl
95-122.plm
Enclosure

↑
of, not up to
+ smokeless
tobacco
& index

9-LS1265\A✓
Chenoweth
9/5/95

BILL NO.

IN THE LEGISLATURE OF THE STATE OF ALASKA
NINETEENTH LEGISLATURE - SECOND SESSION

BY

Introduced:
Referred:

A BILL**FOR AN ACT ENTITLED**

1 "An Act increasing excise taxes on cigarettes."

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

3 * Section 1. AS 43.50.190(a) is amended to read:

4 (a) There is levied an excise tax of 47.5 [12] mills on each cigarette imported or
5 acquired in this state.

WORK DRAFT

WORK DRAFT

WORK DRAFT

9-LS1264F
Chenoweth
12/7/95

BILL NO.

IN THE LEGISLATURE OF THE STATE OF ALASKA

NINETEENTH LEGISLATURE - SECOND SESSION

BY THE _____ RULES COMMITTEE BY REQUEST OF THE LONG RANGE
FINANCIAL PLANNING COMMISSION

Introduced:

Referred:

A BILL

FOR AN ACT ENTITLED

1 "An Act relating to excise taxes on alcoholic beverages; and providing for an effective
2 date."

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

4 * Section 1. AS 43.60.010(a) is amended to read:

5 (a) Every brewer, distiller, bottler, jobber, retailer, wholesaler, or manufacturer
6 who sells alcoholic beverages in the state or who consigns shipments of alcoholic
7 beverages into the state, whether or not the alcoholic beverages are brewed, distilled,
8 bottled, or manufactured in the state, shall pay on all malt beverages (alcoholic content
9 of one percent or more by volume), wines, and hard or distilled alcoholic beverages, the
10 following taxes:

11 (1) malt beverages at the rate of \$1.05 [35 CENTS] a gallon or fraction
12 of a gallon;

13 (2) wine or other beverages of 21 percent alcohol by volume or less, at
14 the rate of \$2.15 [85 CENTS] a gallon or fraction of a gallon; and

\$2.50

-1-

New Text Underlined (DELETED TEXT BRACKETED)

WORK DRAFT

WORK DRAFT

WORK DRAFT

1 AS 43.60.010.

2 * Sec. 3. This Act takes effect July 1, 1996.

Oct 1, 1996

CORRECTION

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



Rev. 6/98

Central Microfilm Services
Department of Education
State of Alaska

WORK DRAFT

WORK DRAFT

WORK DRAFT

9-LS1264VF
Chenoweth
12/7/95

BILL NO.

IN THE LEGISLATURE OF THE STATE OF ALASKA

NINETEENTH LEGISLATURE - SECOND SESSION

BY THE _____ RULES COMMITTEE BY REQUEST OF THE LONG RANGE
FINANCIAL PLANNING COMMISSION

Introduced:

Referred:

A BILL

FOR AN ACT ENTITLED

1 "An Act relating to excise taxes on alcoholic beverages; and providing for an effective
2 date."

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

4 * Section 1. AS 43.60.010(a) is amended to read:

5 (a) Every brewer, distiller, bottler, jobber, retailer, wholesaler, or manufacturer
6 who sells alcoholic beverages in the state or who consigns shipments of alcoholic
7 beverages into the state, whether or not the alcoholic beverages are brewed, distilled,
8 bottled, or manufactured in the state, shall pay on all malt beverages (alcoholic content
9 of one percent or more by volume), wines, and hard or distilled alcoholic beverages, the
10 following taxes:

11 (1) malt beverages at the rate of \$1.05 [35 CENTS] a gallon or fraction
12 of a gallon;

13 (2) wine or other beverages of 21 percent alcohol by volume or less, at
14 the rate of \$2.15 [85 CENTS] a gallon or fraction of a gallon; and

\$2.50

WORK DRAFT

WORK DRAFT

WORK DRAFT

(3) other beverages having a content of more than 21 percent alcohol by volume at the rate of ~~\$12.75~~ ^{\$8.50} [\$5.60] a gallon.

* Sec. 2. AS 43.60 is amended by adding a new section to read:

Sec. 43.60.025. TAX ADJUSTMENT. (a) The amounts in AS 43.60.010(a) change, as provided in this section, according to and to the extent of changes in the Consumer Price Index for all urban consumers for the Anchorage Metropolitan Area compiled by the Bureau of Labor Statistics, United States Department of Labor. The index for January of 1997 is the reference base index.

(b) The amounts change on October 1 of each even-numbered year in an amount equal to the percentage of change, calculated to the nearest whole percentage point, between the index for January of that year and the most recent index used to change the amount in AS 43.60.010(a). However, the amounts do not change if the amounts required by this section are those currently in effect as a result of earlier application of this section.

(c) If the index is revised, the percentage of change is calculated on the basis of the revised index. If a revision of the index changes the reference base index, a revised reference base index is determined by multiplying the reference base index applicable by the rebasing factor furnished by the United States Bureau of Labor Statistics. If the index is superseded, the index referred to in this section is the one represented by the Bureau of Labor Statistics as reflecting most accurately changes in the purchasing power of the dollar for Alaskan consumers.

(d) The department shall adopt a regulation announcing

(1) on or before June 30 ^{Change to July 1} of each year in which amounts are to change, the changes in amounts required by (b) of this section; and

(2) promptly after the changes occur, changes in the index required by (c) of this section, including, if applicable, the numerical equivalent of the reference base index under a revised reference base index and the designation or title of any index superseding the index.

(e) The department shall also provide notification of a change in amounts required under (b) of this section to each brewer, distiller, bottler, jobber, retailer, wholesaler, manufacturer, or other person liable for payment of the tax levied by

WORK DRAFT

WORK DRAFT

WORK DRAFT

1 AS 43.60.010.

2 * Sec. 3. This Act takes effect July 1, 1996.

Oct 1, 1996

TO:

**COMMISSIONERS LONG RANGE FINANCIAL PLANNING
COMMISSION**

FROM:

**MELISSA FOUSE
STAFF, LONG RANGE FINANCIAL PLANNING COMMISSION
FAX: 258-9869
PHONE: 258-8165**

FOLLOWING ARE:

1. **BILL DRAFT RAISING TAXES ON ALCOHOLIC BEVERAGES AND
ADDING AN AUTOMATIC INDEX FOR THAT TAX**
note: the dollar figures that ended up in the bill were those that are the
amount of change, not the total new tax. I didn't catch it until today; we
will have a new bill draft by friday
2. **SECTIONAL ANALYSIS for HB 96 (substantially the same as our bill draft)**
3. **ATTORNEY GENERAL COMMENTARY**
4. **DEPARTMENT OF REVENUE COMMENTARY**

5 PAGES

MORE BILL DRAFTS WILL FOLLOW

9-LS1264\C

Chenoweth

9/18/95

BILL NO.**IN THE LEGISLATURE OF THE STATE OF ALASKA****NINETEENTH LEGISLATURE - SECOND SESSION****BY THE _____ RULES COMMITTEE BY REQUEST OF THE LONG RANGE
FINANCIAL PLANNING COMMISSION****Introduced:****Referred:****A BILL****FOR AN ACT ENTITLED****1 "An Act relating to excise taxes on alcoholic beverages."****2 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:****3 * Section 1. AS 43.60.010(a) is amended to read:**

4 (a) Every brewer, distiller, bottler, jobber, retailer, wholesaler, or manufacturer
5 who sells alcoholic beverages in the state or who consigns shipments of alcoholic
6 beverages into the state, whether or not the alcoholic beverages are brewed, distilled,
7 bottled, or manufactured in the state, shall pay on all malt beverages (alcoholic content
8 of one percent or more by volume), wines, and hard or distilled alcoholic beverages,
9 the following taxes:

10 (1) malt beverages at the rate of 70 [35] cents a gallon or fraction of
11 a gallon;

12 (2) wine or other beverages of 21 percent alcohol by volume or less,
13 at the rate of \$1.30 [85 CENTS] a gallon or fraction of a gallon; and

14 (3) other beverages having a content of more than 21 percent alcohol
15 by volume at the rate of \$7.15 [\$5.60] a gallon.

* Sec. 2. AS 43.60 is amended by adding a new section to read:

Sec. 43.60.025. TAX ADJUSTMENT. (a) The amounts in AS 43.60.010(a) change, as provided in this section, according to and to the extent of changes in the Consumer Price Index for all urban consumers for the Anchorage Metropolitan Area compiled by the Bureau of Labor Statistics, United States Department of Labor. The index for January of 1997 is the reference base index.

(b) The amounts change on October 1 of each even-numbered year in an amount equal to the percentage of change, calculated to the nearest whole percentage point, between the index for January of that year and the most recent index used to change the exemption amount. However, the amounts do not change if the amounts required by this section are those currently in effect as a result of earlier application of this section.

(c) If the index is revised, the percentage of change is calculated on the basis of the revised index. If a revision of the index changes the reference base index, a revised reference base index is determined by multiplying the reference base index applicable by the rebasing factor furnished by the United States Bureau of Labor Statistics. If the index is superseded, the index referred to in this section is the one represented by the Bureau of Labor Statistics as reflecting most accurately changes in the purchasing power of the dollar for Alaskan consumers.

(d) The department shall adopt a regulation announcing

(1) on or before June 30 of each year in which amounts are to change, the changes in amounts required by (b) of this section; and

(2) promptly after the changes occur, changes in the index required by (c) of this section, including, if applicable, the numerical equivalent of the reference base index under a revised reference base index and the designation or title of any index superseding the index.

(e) The department shall also provide notification of a change in amounts required under (c) of this section to each brewer, distiller, bottler, jobber, retailer, wholesaler, manufacturer, or other person liable for payment of the tax levied by AS 43.60.010.

9-LS1264\A
Chenoweth
9/5/95

BILL NO.

IN THE LEGISLATURE OF THE STATE OF ALASKA
NINETEENTH LEGISLATURE - SECOND SESSION

BY

Introduced:
Referred:

A BILL**FOR AN ACT ENTITLED**

1 **"An Act increasing excise taxes on alcoholic beverages."**

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

3 *** Section 1. AS 43.60.010(a) is amended to read:**

4 (a) Every brewer, distiller, bottler, jobber, retailer, wholesaler, or manufacturer
5 who sells alcoholic beverages in the state or who consigns shipments of alcoholic
6 beverages into the state, whether or not the alcoholic beverages are brewed, distilled,
7 bottled, or manufactured in the state, shall pay on all malt beverages (alcoholic content
8 of one percent or more by volume), wines, and hard or distilled alcoholic beverages, the
9 following taxes:

10 (1) malt beverages at the rate of 70 [35] cents a gallon or fraction of a
11 gallon;

12 (2) wine or other beverages of 21 percent alcohol by volume or less, at
13 the rate of \$1.30 [85 CENTS] a gallon or fraction of a gallon; and

14 (3) other beverages having a content of more than 21 percent alcohol by
15 volume at the rate of \$7.15 [\$5.60] a gallon.

SPONSOR STATEMENT

HB 96

"An Act increasing and requiring annual adjustment of the tax on alcoholic beverages; and providing for an effective date."

On November 30, 1994, Governor Walter J. Hickel's Criminal Justice Work Group published their report entitled, "Options For Cost Containment In The Criminal Justice System." On only one particular topic could the group achieve consensus:

"It was the unanimous observation by all the members of the work group that what "drives" the system is alcohol, and that real progress cannot be made in cost *reduction*--or in the reduction of a wide range of social problems--unless the legislative and executive branches are serious about controlling alcohol."

"The work group unanimously agrees that alcohol is far and away the number one cause of crime in Alaska and that reducing alcohol use by even a small amount would reduce crime and the resulting pressure on criminal justice agencies."¹

- **The work group's number one suggestion for stemming alcohol use and abuse is to increase the state tax on alcohol.**

The Alaska Sentencing Commission found that 73% of a sample of felony offenders sentenced between 1986--1991 were chronic alcohol users. Fifty-three percent were under the influence of alcohol at the time they committed their offense.

In the early 1980's the Judicial Council found that up to 78% of offenders sentenced for murder and kidnapping and 66% of other violent offenders had used alcohol at the time of the offense. Nearly three-fourths (71.3%) of misdemeanants had used alcohol or alcohol in combination with other drugs at the time of the offense. The Department of Health and Social Services tells us that alcohol abuse is often associated with domestic violence and child abuse.²

¹ Cost Containment in the Criminal Justice System, Part I: Alcohol in Alaska, page 1.

² Meeting the Challenge, A Strategic Plan for the Division of Alcoholism and Drug Abuse, 1994, page 11.

- The Division of Alcoholism and Drug Abuse has adopted strategies for reducing the adverse health and social consequences of alcohol abuse. The first strategy is:

"Increase excise taxes on alcohol and establish a statutory mechanism for automatic increases indexed to inflation as determined by the consumer price index."

That is what HB 96 would do.

Alaska's \$200 million annual subsidy to the Alcohol Industry:

- In 1989, the State Office of Alcohol and Drug Abuse completed a comprehensive study of the **costs to the state** of alcohol abuse and alcoholism. Many people were shocked to find that the state spends approximately \$200 million per year on services directly related to the abuse of alcohol and drugs. Public assistance, criminal justice, health and medical expenses, not to mention public safety enforcement and prevention programs, cost Alaskans millions every month.

Paying their share?

- The state alcohol beverage tax has not seen an increase *since 1983*. Can the same be said of local property or sales taxes? At the current rate of taxation (about 3 cents per glass of beer and 4 cents per glass of wine or shot of liquor), the state collects about \$12 million per year. A subtraction of state tax revenues from the cost of alcohol and drug abuse related services shows the state spending about **\$186 million more** for these services than it recovers in taxes. The Department of Revenue, estimates that by implementing the proposed increase (to about 10 cents per drink) the state could see an additional **\$20 million to the general fund**, or about 10% of the cost of state programs.

Fiscal Note Analysis
 HB 96 - Increasing Tax on Alcoholic Beverages
 March 6, 1995
 Page 3 of 3

Revenue projections for FY 97 through FY 01 are based on the average of changes to CPI indices for Anchorage for the five preceding years (1990 through 1994). The average change for that period was 4%. The rates below reflect the previous year's rate adjusted for a 4% increase in CPI, rounded to the nearest cent.

Fiscal Year	Beer New Rate/ Increase	Wine New Rate/ Increase	Liquor New Rate/ Increase	Total Revenue Increase
96	<i>\$1.05</i> \$9,539,740	<i>\$2.15</i> \$1,615,770	<i>\$12.75</i> \$7,825,675	\$18,981,185
97	<i>\$1.09</i> \$10,084,868	<i>\$2.24</i> \$1,727,631	<i>\$13.26</i> \$8,383,870	\$20,196,369
98	<i>\$1.13</i> \$10,629,996	<i>\$2.33</i> \$1,839,492	<i>\$13.79</i> \$8,963,955	\$21,433,443
99	<i>\$1.18</i> \$11,311,406	<i>\$2.42</i> \$1,951,353	<i>\$14.34</i> \$9,565,930	\$22,828,689
00	<i>\$1.23</i> \$11,992,816	<i>\$2.52</i> \$2,075,643	<i>\$14.91</i> \$10,189,795	\$24,258,254
01	<i>\$1.28</i> \$12,674,226	<i>\$2.62</i> \$2,199,933	<i>\$15.51</i> \$10,846,495	\$25,720,654

Tax rate increases may have a negative impact on alcohol consumption, part of which may be offset by other variables such as projected state population increases. Since the overall impact of increases in tax rates has not been studied, all revenue increases in this fiscal note are based on current consumption data.

History

Alcoholic beverages tax rates were last increased in 1983 (Ch 46 SLA 83) when rates (per gallon) were increased from 25¢ to 35¢ for beer; 60¢ to 85¢ for wine; and \$4.00 to \$5.60 for liquor.

Bill Analysis

This bill increases alcoholic beverages tax rates effective July 1, 1995 as follows.

Beverage Type	Rate (Per Gallon)		HB 96 Tax Rate Increase
	Current	HB 96	
Beer	\$.35	\$1.05	\$.70
Wine	\$.85	\$2.15	\$1.30
Liquor	\$5.60	\$12.75	\$7.15

Under section 2, rates will be adjusted by the Department to reflect increases in the Consumer Price Index (CPI) for the Anchorage metropolitan area compiled by the United States Department of Labor for the preceding year. The annual index for 1994 will be the reference base index. Tax rates will be adjusted to the nearest cent.

Operating Costs

Department of Revenue does not anticipate any additional operating costs for implementing the tax rate increases in this bill. Tax return forms would be updated annually to reflect increased rates.

Revenue

The following revenue projections are based on language changes proposed by the bill's sponsor (attached). Based on FY 94 alcohol consumption data reported to Department of Revenue, this bill would increase alcoholic beverages tax revenue by approximately \$18,981,200 in FY 96.

Beverage Type	FY 94 Consumption (in gallons)	HB 96 Tax Rate Increase	HB 96 Revenue Increase
Beer	13,628,200	\$.70	\$9,539,740
Wine	1,242,900	\$1.30	\$1,615,770
Liquor	1,094,500	\$7.15	\$7,825,675
Total			\$18,981,185

Representative Kay Brown

ALASKA STATE LEGISLATURE

Legislative Information Office
716 W. 4th Ave., #420
Anchorage, AK 99501-2133
(907) 258-8162

April 1, 1995

During Session
State Capitol
Juneau, Alaska 99801-1182
(907) 465-4998

Letters to the Editor
Anchorage Daily News
P.O. Box 149001
Anchorage, Alaska 99514

Dear Editor:

I am writing to express my support for Proposition 3 to establish a tax on alcoholic beverages sold in the Municipality of Anchorage.

In the last legislature I introduced a bill to increase the state excise tax on alcoholic beverages. This year I have introduced similar legislation that includes a section that would index the tax to the annual rate of inflation in Anchorage.

Some believe that the motivation for raising so-called "sin taxes" is to put more money in the government's treasury for bureaucrats to spend. The fact is we will never tax alcohol enough to cover even a fraction of the costs to deal with its effects on the social service, criminal justice and health systems. Those expenses are now estimated to exceed \$200 million a year in state funds alone. Our alcohol excise tax recovers around \$12 million a year. That tax has not been increased since 1983, and inflation has eroded its value by about 30%.

In terms of total revenue flowing to the public treasury from taxes on alcoholic beverages, Alaska ranks among the lowest of over 50 jurisdictions nationwide. Yet, we are among the highest in per capita consumption of alcohol.

Nationally recognized studies have shown that even small increases in the price of alcohol can significantly reduce consumption and cut corresponding costs to the public. This has been shown to be especially true for underage drinkers.

I applaud the efforts of the proponents of Proposition 3. They have had the courage to face the problem of alcohol abuse and its consequences for local government. I urge you to join me in voting yes on Proposition 3.

Sincerely,


Rep. Kay Brown

DISTRICT 15

Downtown • Fairview • Northstar • Romig • South Addition • Spenard

Revision Date: _____ Dept. Affected: Revenue
Title: Increasing Tax on Alcoholic Beverages BRU: Audit Operations
Sponsor: Rep. Brown, Davies Component: Income and Excise Audit
Requestor: (H) STA COMPONENT SERIAL NO. 113

Expenditures/Revenues: (Thousands of Dollars)

OPERATING	FY 96	FY 97	FY 98	FY 99	FY 00	FY 01
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0

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

REVENUE FUND SOURCE: GF	13,981.2	20,196.4	21,433.4	22,828.7	24,258.3	25,720.7
--------------------------------	-----------------	-----------------	-----------------	-----------------	-----------------	-----------------

FUNDING: (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1006 GF/MHTIA						
Other						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

Estimate of current (FY95) impact \$ 0

ANALYSIS: (Attach a separate page if necessary)

(See Attached Analysis)

Prepared by: Robert N. Bartholomew, Deputy Director Phone: 465-2320
Division: Income and Excise Audit Date: 3/6/95
Approved by Commissioner: [Signature] Date: 3/6/95
Agency: Department of Revenue

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9-LS1419AC ✓
Chenoweth
12/12/95

BILL NO.**IN THE LEGISLATURE OF THE STATE OF ALASKA****NINETEENTH LEGISLATURE - SECOND SESSION**

BY THE _____ RULES COMMITTEE BY REQUEST OF THE LONG RANGE
FINANCIAL PLANNING COMMISSION

Introduced:
Referred:

A BILL**FOR AN ACT ENTITLED**

1 "An Act revising the methods by which to establish the maximum levy that a
2 municipality may impose on the property taxable under the oil and gas
3 exploration, production, and pipeline transportation property tax."

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

5 * Section 1. AS 29.45.080(b) is amended to read:

6 (b) A municipality may levy and collect a tax on the full and true value of
7 taxable property taxable under AS 43.56 as valued on an assessment made by the
8 Department of Revenue

9 (1) on or before December 31, 1996, at a rate not to exceed that
10 which produces an amount of revenue from the total municipal property tax equivalent
11 to \$1,500 a year for each person residing in its boundaries;

12 (2) after December 31, 1996, at a rate that, when combined with the
13 yield from an annual tax of not more than 10 mills levied on the full and true
14 value of the taxable property within the municipality that is first assessed under

1 AS 43.56.060 after December 31, 1996, does not exceed the rate that produces an
2 amount of revenue from the total municipal property tax equivalent to \$1,500 a
3 year for each person residing in its boundaries.

4 * Sec. 2. AS 29.45.080(c) is amended to read:

5 (c) A municipality may levy and collect a tax on the full and true value of that
6 portion of taxable property taxable under AS 43.56 as assessed by the Department of
7 Revenue which value, when combined with the value of property otherwise taxable by
8 the municipality, does not exceed the product of 225 percent of the average per capita
9 assessed full and true value of property in the state multiplied by the number of
10 residents of the taxing municipality. However, the rate of the tax levied and
11 collected under this subsection on the full and true value of the taxable property
12 within the municipality that is first assessed under AS 43.56.060 after
13 December 31, 1996, may not exceed 10 mills.

14 * Sec. 3. AS 29.45.100 is amended by adding a new subsection to read:

15 (b) The limitation exemption set out in (a) of this section does not apply to
16 taxable property first assessed under AS 43.56.060 after December 31, 1996.

17 * Sec. 4. AS 43.56.010(c) is amended to read:

18 (c) If the total value of assessed property of a municipality taxing under
19 AS 29.45.080(c) exceeds the product of 225 percent of the average per capita assessed
20 full and true value of property in the state, to be determined by the department and
21 reported to each municipality by January 15 of each year, multiplied by the number
22 of residents of the taxing municipality, the department shall designate the portion of
23 the tax base against which the local tax may be applied. Before designating the tax
24 base as required by this subsection, the department shall determine the
25 proportional value of the property of the municipality first assessed under
26 AS 43.56.060 on or before December 31, 1996, and the proportional value of the
27 property of the municipality first assessed under AS 43.56.060 after December 31,
28 1996. In designating the tax base against which the local tax may be applied, the
29 department shall make the designation in accordance with the proportions
30 determined under this subsection.

LEGAL SERVICES

DIVISION OF LEGAL AND RESEARCH SERVICES LEGISLATIVE AFFAIRS AGENCY STATE OF ALASKA

(907) 465-3867 or 465-2450
FAX (907) 465-2029
Mail Stop 3101

130 Seward Street, Suite 409
Juneau, Alaska 99801-2105

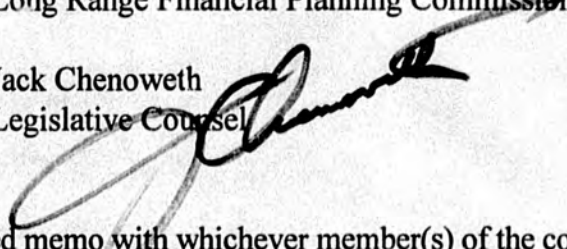
MEMORANDUM

December 11, 1995

SUBJECT: Enclosed bill draft amending the state's oil and gas pipeline exploration, production, and pipeline transportation tax, AS 43.56, and related memo

TO: Melissa Fouse,
Long Range Financial Planning Commission

FROM: Jack Chenoweth
Legislative Counsel



Please share the enclosed memo with whichever member(s) of the commission may want to amend the state's exploration, production, and pipeline transportation tax, AS 43.56.

JBC:pl
95-229.plm

Introduced by:

Wiley, Navarre

Date:

01/02/95

Action:

Adopted

Vote:

7 yes, 1 no

*Brad
Would
you keep
a copy
all these
in future
reference
C.*

**KENAI PENINSULA BOROUGH
RESOLUTION 96-005**

**A RESOLUTION URGING LEGISLATIVE IMPLEMENTATION OF
A LONG RANGE FISCAL PLAN FOR THE STATE OF ALASKA**

WHEREAS, the State of Alaska currently has a fiscal gap in excess of \$500 million dollars; and

WHEREAS, the State has needed to use reserve funds to balance its budget for the last three years; and

WHEREAS, oil production on which the state revenues are based has declined and is projected to continue to decline; and

WHEREAS, Kenai Peninsula Legislators, Senator Georgiana Lincoln, Representative Mike Navarre, House Speaker Gail Philips and Cooper Landing resident Hugh Motley have all made significant contributions to the creation of a plan; and

WHEREAS, Governor Tony Knowles has endorsed a plan; and

WHEREAS, the Alaska House of Representatives put forth a five year budget reduction plan during the 1995 legislative session;

NOW, THEREFORE, BE IT RESOLVED BY THE ASSEMBLY OF THE KENAI PENINSULA BOROUGH:

SECTION 1. That the Kenai Peninsula Borough Assembly urges the Alaska State Legislature to adopt and implement, during the 1996 session, an overall long-range financial plan that would eliminate the fiscal gap and would stabilize revenue at a sustainable level.

SECTION 2. That a copy of this resolution be distributed to the Honorable Tony Knowles Governor of the State of Alaska, State Legislature, Senator Georgianna Lincoln, Senator John Torgerson, Senator Judith Salo, Representative John Davis, Representative Mike Navarre, Representative Irene Nicholia, Speaker of the House Gail Philips and President of the Senate, Drue Pearce



**Seward Chamber of Commerce
Convention & Visitors Bureau**

RESOLUTION 95-013 DEC 28 1995

RECEIVED

*OMB
6/6N/CS
LO*

A RESOLUTION BY THE SEWARD CHAMBER OF COMMERCE CONVENTION AND VISITORS BUREAU URGING THE IMPLEMENTATION OF A LONG RANGE FISCAL PLAN FOR THE STATE OF ALASKA.

AMC

WHEREAS, the State of Alaska currently has a fiscal gap in excess of \$500 million; and

WHEREAS, the State has needed to use reserve funds to balance its budget for the last three years; and

WHEREAS, oil production on which the state revenues are based has declined and is projected to continue declining; and

WHEREAS, the problem has been studied for several years by a number of groups and

WHEREAS, the Long Range Financial Planning Commission appointed by the Governor and the Legislature has put forth a plan; and

WHEREAS, the planning commission has developed a comprehensive feasible plan to resolve the state's fiscal gap by incorporating a balanced approach that is viable and essential to Alaska's future. It is understood that the plan, as presented, may require certain minor adjustments before acceptance; and

WHEREAS, Governor Knowles has endorsed this plan; and

WHEREAS, the Alaska House of Representatives put forth a five year budget reduction plan during the 1995 Legislative session;

NOW THEREFORE BE IT RESOLVED that the Seward Chamber of Commerce urges the Alaska State Legislature to adopt and implement, during the 1996 session, an overall long range fiscal plan for the state that is similar in intent and content to the report issued by the Long Range Financial Planning Commission; and

BE IT FURTHER RESOLVED that the Seward Chamber of Commerce will join the Alaska State Chamber of Commerce and other cities in supporting such a plan in the 1996 Legislative session; and

BE IT FURTHER RESOLVED that this resolution be distributed to:

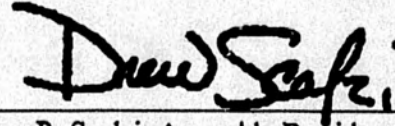
The Honorable Tony Knowles, Governor of the State of Alaska
Alaska State Legislature
Alaska State Chamber of Commerce
All Alaska Chambers
City of Seward
Kenai Peninsula Borough

PASSED on November 30, 1995 by the Seward Chamber of Commerce Board of Directors.

Mark Anderson Pres Margaret Brown Director

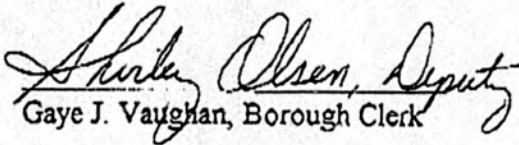
P.O. Box 749 • Seward, Alaska 99664 • Phone (907) 224-8051 • Fax (907) 224-5353

ADOPTED BY THE ASSEMBLY OF THE KENAI PENINSULA BOROUGH THIS 2ND
DAY OF JANUARY, 1996.



Andrew P. Scalzi, Assembly President

ATTEST:


Gaye J. Vaughan, Borough Clerk

Long Range Financial Planning Commission
716 West Fourth Avenue, #470
Anchorage, Alaska 99501
(907)258-8165 Phone
(907)258-9869 Fax

MEMORANDUM

27 December 1995

TO: Members, Long Range Financial Planning Commission
FROM: Staff

Attached are copies of the legislation to be proposed by the LRFPC.
These drafts reflect the changes called for in the meeting held
December 8th.

Please send your comments to Chairman Rogers or to the Commission
Office by 05 January 1995.

9-LS1268VG ✓
Chenoweth
12/12/95

BILL NO.**IN THE LEGISLATURE OF THE STATE OF ALASKA****NINETEENTH LEGISLATURE - SECOND SESSION**

**BY THE _____ RULES COMMITTEE BY REQUEST OF THE LONG RANGE FINANCIAL
PLANNING COMMISSION**

Introduced:

Referred:

A BILL**FOR AN ACT ENTITLED**

1 "An Act relating to the tax on transfers or consumption of motor fuel, and
2 repealing the exemption from that tax for motor fuel which is at least 10 percent
3 alcohol by volume; and providing for an effective date."

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

5 * Section 1. AS 43.40.010(a) is amended to read:

6 (a) There is levied a tax of 22 [EIGHT] cents a gallon on all motor fuel sold
7 or otherwise transferred within the state, except that

8 (1) the tax on aviation gasoline is four and seven-tenths cents a gallon;

9 (2) the tax on motor fuel used in and on watercraft of all descriptions

10 is eight [FIVE] cents a gallon; and

11 (3) the tax on all aviation fuel other than gasoline is three and two-
12 tenths cents a gallon.

13 * Sec. 2. AS 43.40.010(b) is amended to read:

14 (b) There is levied a tax of 22 [EIGHT] cents a gallon on all motor fuel

1 consumed by a user, except that

2 (1) the tax on aviation gasoline consumed is four and seven-tenths cents
3 a gallon;

4 (2) the tax on motor fuel used in and on watercraft of all descriptions
5 is eight [FIVE] cents a gallon; and

6 (3) the tax on all aviation fuel other than gasoline is three and two-
7 tenths cents a gallon.

8 * Sec. 3. AS 43.40.015(d) is amended to read:

9 (d) A certificate of use is not required

10 (1) for fuel exempted under AS 43.40.100(2)(C) [, (F),] or (K); and

11 (2) for fuel exempted under AS 43.40.100(2)(J) other than fuel sold or
12 transferred under this exemption to a person who is engaged in construction or mining
13 activity.

14 * Sec. 4. AS 43.40.030(a) is amended to read:

15 (a) Except as specified in AS 43.40.010(j), a person who uses motor fuel to
16 operate an internal combustion engine is entitled to a refund of 16 [SIX] cents a gallon
17 if

18 (1) the tax on the motor fuel has been paid;

19 (2) the motor fuel is not aviation fuel, or motor fuel used in or on
20 watercraft; and

21 (3) the internal combustion engine is not used in or in conjunction with
22 a motor vehicle licensed to be operated on public ways.

23 * Sec. 5. AS 43.40 is amended by adding a new section to read:

24 Sec. 43.40.045. TAX AND REFUND ADJUSTMENT. (a) The amounts in
25 AS 43.40.010(a) and (b) and 43.40.030(a) change, as provided in this section,
26 according to and to the extent of changes in the Consumer Price Index for all urban
27 consumers for the Anchorage Metropolitan Area compiled by the Bureau of Labor
28 Statistics, United States Department of Labor. The index for January of 1997 is the
29 reference base index.

30 (b) The amounts change on July 1 of each even-numbered year in an amount
31 equal to the percentage of change, calculated to the nearest whole percentage point,

consumed by a user, except that

(1) the tax on aviation gasoline consumed is four and seven-tenths cents a gallon;

(2) the tax on motor fuel used in and on watercraft of all descriptions is eight [FIVE] cents a gallon; and

(3) the tax on all aviation fuel other than gasoline is three and two-tenths cents a gallon.

* Sec. 3. AS 43.40.015(d) is amended to read:

(d) A certificate of use is not required

(1) for fuel exempted under AS 43.40.100(2)(C) [, (F),] or (K); and

(2) for fuel exempted under AS 43.40.100(2)(J) other than fuel sold or transferred under this exemption to a person who is engaged in construction or mining activity.

* Sec. 4. AS 43.40.030(a) is amended to read:

(a) Except as specified in AS 43.40.010(j), a person who uses motor fuel to operate an internal combustion engine is entitled to a refund of 16 [SIX] cents a gallon if

(1) the tax on the motor fuel has been paid;

(2) the motor fuel is not aviation fuel, or motor fuel used in or on watercraft; and

(3) the internal combustion engine is not used in or in conjunction with a motor vehicle licensed to be operated on public ways.

* Sec. 5. AS 43.40 is amended by adding a new section to read:

Sec. 43.40.045. TAX AND REFUND ADJUSTMENT. (a) The amounts in AS 43.40.010(a) and (b) and 43.40.030(a) change, as provided in this section, according to and to the extent of changes in the Consumer Price Index for all urban consumers for the Anchorage Metropolitan Area compiled by the Bureau of Labor Statistics, United States Department of Labor. The index for January of 1997 is the reference base index.

(b) The amounts change on July 1 of each even-numbered year in an amount equal to the percentage of change, calculated to the nearest whole percentage point,

1 between the index for January of that year and the most recent index used to change
2 the amounts in AS 43.40.010(a) and (b) and 43.40.030(a). However, the amounts do
3 not change if the amounts required by this section are those currently in effect as a
4 result of earlier application of this section.

5 (c) If the index is revised, the percentage of change is calculated on the basis
6 of the revised index. If a revision of the index changes the reference base index, a
7 revised reference base index is determined by multiplying the reference base index
8 applicable by the rebasing factor furnished by the United States Bureau of Labor
9 Statistics. If the index is superseded, the index referred to in this section is the one
10 represented by the Bureau of Labor Statistics as reflecting most accurately changes in
11 the purchasing power of the dollar for Alaskan consumers.

12 (d) At the time of a change in the amount of tax required by (b) of this
13 section, the department shall promptly give public notice of the change. The
14 department shall also provide notification of a change in amounts required under (b)
15 of this section to all dealers that collect the tax levied by AS 43.40.010.

16 * Sec. 6. AS 43.40.100(2)(F) is repealed.

17 * Sec. 7. This Act takes effect October 1, 1996.

9-LS1433A
Cook
12/13/95

_____ JOINT RESOLUTION NO.
IN THE LEGISLATURE OF THE STATE OF ALASKA
NINETEENTH LEGISLATURE - SECOND SESSION

BY THE _____ RULES COMMITTEE BY REQUEST OF THE LONG RANGE FINANCIAL
PLANNING COMMISSION

Introduced:
Referred:

A RESOLUTION

1 Proposing an amendment to the Constitution of the State of Alaska relating to
2 the permanent fund.

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

4 * Section 1. Article IX, sec. 15, Constitution of the State of Alaska, is amended to read:

5 SECTION 15. ALASKA PERMANENT FUND. At least fifty percent
6 [TWENTY-FIVE PER CENT] of all mineral lease rentals, royalties, royalty sale
7 proceeds, federal mineral revenue sharing payments and bonuses received by the State
8 shall be placed in a permanent fund, the principal of which shall be used only for
9 those income-producing investments specifically designated by law as eligible for
10 permanent fund investments. Income [ALL INCOME] from the permanent fund shall
11 be retained in the permanent fund, except that appropriations may be made from
12 the income to [DEPOSITED IN] the general fund. Annual appropriations from the
13 permanent fund may not exceed four percent of the average market value of the
14 permanent fund during the immediately preceding five years. The legislature
15 shall implement this section [UNLESS OTHERWISE PROVIDED] by law.

16 * Sec. 2. The amendment proposed by this resolution shall be placed before the voters of

- 1 the state at the next general election in conformity with art. XIII, sec. 1, Constitution of the
- 2 State of Alaska, and the election laws of the state.

WORK DRAFT

WORK DRAFT

WORK DRAFT

- 1 the state at the next general election in conformity with art. XIII, sec. 1, Constitution of the
- 2 State of Alaska, and the election laws of the state.

9-LS1319C ✓
Cook
12/12/95

_____ JOINT RESOLUTION NO.

IN THE LEGISLATURE OF THE STATE OF ALASKA

NINETEENTH LEGISLATURE - SECOND SESSION

BY THE _____ RULES COMMITTEE BY REQUEST OF THE LONG RANGE FINANCIAL
PLANNING COMMISSION

Introduced:

Referred:

A RESOLUTION

1 Proposing amendments to the Constitution of the State of Alaska relating to the
2 budget reserve fund.

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

4 * Section 1. Article IX, sec. 17(a), Constitution of the State of Alaska, is amended to read:

5 (a) There is established as a separate fund in the State treasury the budget
6 reserve fund. The purpose of the budget reserve fund is to help stabilize State
7 spending from year to year. Except for money deposited into the permanent fund
8 under Section 15 of this article, all money received by the State after July 1, 1990, as
9 a result of the termination, through settlement or otherwise, of an administrative
10 proceeding or of litigation in a State or federal court involving mineral lease bonuses,
11 rentals, royalties, royalty sale proceeds, federal mineral revenue sharing payments or
12 bonuses, or involving taxes imposed on mineral income, production, or property, shall
13 be deposited in the budget reserve fund. Money in the budget reserve fund shall be
14 invested so as to yield competitive market rates to the fund. Income of the fund shall
15 be retained in the fund. Section 7 of this article does not apply to deposits made to
16 the fund under this subsection. Money may be appropriated from the fund only as

1 authorized under (b) or (c) of this section.

2 * Sec. 2. Article IX, sec. 17(b), Constitution of the State of Alaska, is amended to read:

3 (b) If the amount of unrestricted revenue available [FOR APPROPRIATION]
4 for a fiscal year is less than the combined amount of unrestricted revenue and
5 money from the budget reserve fund appropriated for the previous fiscal year, an
6 appropriation may be made from the [BUDGET RESERVE] fund. However, the
7 amount appropriated from the fund under this subsection may not exceed the amount
8 necessary [, WHEN ADDED TO OTHER FUNDS AVAILABLE FOR
9 APPROPRIATION,] to provide for total appropriations of unrestricted revenue and
10 money from the fund equal to the amount of appropriations made from these sources
11 [IN THE PREVIOUS CALENDAR YEAR] for the previous fiscal year. The
12 legislature shall implement this subsection by law. For purposes of this
13 subsection, "unrestricted revenue" means all money received by the State during
14 a fiscal year except money held in trust, received from the federal government for
15 a particular purpose, or dedicated for a particular purpose as permitted by this
16 constitution.

17 * Sec. 3. Article IX, sec. 17(d), Constitution of the State of Alaska, is repealed.

18 * Sec. 4. The amendments proposed by this resolution shall be placed before the voters of
19 the state at the next general election in conformity with art. XIII, sec. 1, Constitution of the
20 State of Alaska, and the election laws of the state.

9-LS1428VA
Cook
12/12/95

BILL NO.

IN THE LEGISLATURE OF THE STATE OF ALASKA

NINETEENTH LEGISLATURE - SECOND SESSION

BY THE _____ RULES COMMITTEE BY REQUEST OF THE LONG RANGE FINANCIAL
PLANNING COMMISSION

Introduced:

Referred:

A BILL**FOR AN ACT ENTITLED**

1 "An Act relating to municipal property tax exemptions for certain residences and
2 to property tax equivalency payments for certain residents; and providing for an
3 effective date."

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

5 * Section 1. AS 29.45.030(h) is amended to read:

6 (h) Nothing [EXCEPT AS PROVIDED IN (g) OF THIS SECTION,
7 NOTHING] in (j) [(e) - (j)] of this section affects similar exemptions from property
8 taxes granted by a municipality on September 10, 1972 [, OR PREVENTS A
9 MUNICIPALITY FROM GRANTING SIMILAR EXEMPTIONS BY ORDINANCE
10 AS PROVIDED IN AS 29.45.050].

11 * Sec. 2. AS 29.45.030(k) is amended to read:

12 (k) The department shall adopt regulations to implement the provisions of [(g)
13 AND] (j) of this section.

14 * Sec. 3. AS 29.45.050(i) is amended to read:

1 (i) A municipality may by ordinance approved by the voters exempt from
2 taxation all or part of the assessed value [THAT EXCEEDS \$150,000] of real
3 property owned and occupied as a permanent place of abode by a resident who is

4 (1) 65 years of age or older;

5 (2) a disabled veteran, including a person who was disabled in the line
6 of duty while serving in the Alaska Territorial Guard; or

7 (3) at least 60 years old and a widow or widower of a person who
8 qualified for an exemption under (1) or (2) of this subsection.

9 * Sec. 4. AS 29.45.030(a)(6), 29.45.030(e), 29.45.030(f), 29.45.030(g), 29.45.030(i), and
10 29.45.040 are repealed.

11 * Sec. 5. This Act takes effect January 1, 1997.

9-LS1264\G ✓
Chenoweth
12/12/95

BILL NO.**IN THE LEGISLATURE OF THE STATE OF ALASKA****NINETEENTH LEGISLATURE - SECOND SESSION**

BY THE _____ RULES COMMITTEE BY REQUEST OF THE LONG RANGE
FINANCIAL PLANNING COMMISSION

Introduced:

Referred:

A BILL**FOR AN ACT ENTITLED**

1 "An Act relating to excise taxes on alcoholic beverages; and providing for an
2 effective date."

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

4 * Section 1. AS 43.60.010(a) is amended to read:

5 (a) Every brewer, distiller, bottler, jobber, retailer, wholesaler, or manufacturer
6 who sells alcoholic beverages in the state or who consigns shipments of alcoholic
7 beverages into the state, whether or not the alcoholic beverages are brewed, distilled,
8 bottled, or manufactured in the state, shall pay on all malt beverages (alcoholic content
9 of one percent or more by volume), wines, and hard or distilled alcoholic beverages,
10 the following taxes:

11 (1) malt beverages, per [AT THE RATE OF 35 CENTS A] gallon or
12 fraction of a gallon, at the following rates:

13 (A) on and after the effective date of this Act and through
14 June 30, 1999 - \$1.05;

(B) after June 30, 1999, and through June 30, 2002 - \$1.15;

(C) after June 30, 2002, and through June 30, 2005 - \$1.25;

and

(D) after June 30, 2005 - \$1.25 plus an additional 10 cents during each succeeding three-year period, the increase to be effective on the first day of the succeeding three-year period;

(2) wine or other beverages of 21 percent alcohol by volume or less, per [AT THE RATE OF 85 CENTS A] gallon or fraction of a gallon, at the following rates:

(A) on and after the effective date of this Act and through June 30, 1999 - \$2.50;

(B) after June 30, 1999, and through June 30, 2002 - \$3.15;

(C) after June 30, 2002, and through June 30, 2005 - \$3.80;

and

(D) after June 30, 2005 - \$3.80 plus an additional 65 cents during each succeeding three-year period, the increase to be effective on the first day of the succeeding three-year period; and

(3) other beverages having a content of more than 21 percent alcohol by volume, per [AT THE RATE OF \$5.60 A] gallon or fraction of a gallon, at the following rates

(A) on and after the effective date of this Act and through June 30, 1999 - \$8.50;

(B) after June 30, 1999, and through June 30, 2002 - \$10.60;

(C) after June 30, 2002, and through June 30, 2005 - \$12.70;

and

(D) after June 30, 2005 - \$12.70 plus an additional \$2.10 during each succeeding three-year period, the increase to be effective on the first day of the succeeding three-year period.

* Sec. 2. AS 43.60 is amended by adding a new section to read:

Sec. 43.60.025. TAX ADJUSTMENT. (a) In addition to changes in the amount of the tax made by AS 43.60.010(a), the amounts in AS 43.60.010(a) change,

1 as provided in this section, according to and to the extent of changes in the Consumer
2 Price Index for all urban consumers for the Anchorage Metropolitan Area compiled by
3 the Bureau of Labor Statistics, United States Department of Labor. The index for
4 January of 1997 is the reference base index.

5 (b) The amounts change on July 1 of each even-numbered year in an amount
6 equal to the percentage of change, calculated to the nearest whole percentage point,
7 between the index for January of that year and the most recent index used to change
8 the amount in AS 43.60.010(a). However, the amounts do not change if the amounts
9 required by this section are those currently in effect as a result of earlier application
10 of this section.

11 (c) If the index is revised, the percentage of change is calculated on the basis
12 of the revised index. If a revision of the index changes the reference base index, a
13 revised reference base index is determined by multiplying the reference base index
14 applicable by the rebasing factor furnished by the United States Bureau of Labor
15 Statistics. If the index is superseded, the index referred to in this section is the one
16 represented by the Bureau of Labor Statistics as reflecting most accurately changes in
17 the purchasing power of the dollar for Alaskan consumers.

18 * Sec. 3. AS 43.60 is amended by adding a new section to read:

19 Sec. 43.60.035. NOTICE. At the time of a change in the amount of tax under
20 AS 43.60.010(a) or 43.60.025, the department shall promptly give public notice of the
21 change. The department shall also provide notification of a change in the amount to
22 each brewer, distiller, bottler, jobber, retailer, wholesaler, manufacturer, or other person
23 liable for payment of the tax levied by AS 43.60.010.

24 * Sec. 4. This Act takes effect October 1, 1996.

9-LS1265F ✓
Chenoweth
12/12/95

BILL NO.

IN THE LEGISLATURE OF THE STATE OF ALASKA

NINETEENTH LEGISLATURE - SECOND SESSION

BY THE _____ RULES COMMITTEE BY REQUEST OF THE LONG RANGE
FINANCIAL PLANNING COMMISSION

Introduced:

Referred:

A BILL

FOR AN ACT ENTITLED

1 "An Act relating to taxes on cigarettes and tobacco products; and providing for
2 an effective date."

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

4 * Section 1. AS 43.50.190(a) is amended to read:

5 (a) On [THERE IS LEVIED AN EXCISE TAX OF 12 MILLS ON] each
6 cigarette imported or acquired in this state, there is levied an excise tax at the
7 following rates:

8 (1) on and after the effective date of this Act and through June 30,
9 1999 - 62 mills;

10 (2) after June 30, 1999, and through June 30, 2002 - 74 mills;

11 (3) after June 30, 2002, and through June 30, 2005 - 86 mills; and

12 (4) after June 30, 2005 - 86 mills plus an additional 12 mills during
13 each succeeding three-year period, the increase to be effective on the first day of
14 the succeeding three-year period.

1 * Sec. 2. AS 43.50.190 is amended by adding a new subsection to read:

2 (c) At the time of a change in the amount of tax under (a) of this section, the
3 department shall give public notice of the change. The department shall also provide
4 notification of the change to all persons licensed under this chapter.

5 * Sec. 3. AS 43.50.300 is amended to read:

6 Sec. 43.50.300. EXCISE TAX LEVIED. An excise tax is levied on tobacco
7 products in the state at the rate of 100 [25] percent of the wholesale price of the
8 tobacco products. The tax is levied when a person

9 (1) brings, or causes to be brought, a tobacco product into the state
10 from outside the state for sale;

11 (2) makes, manufactures, or fabricates a tobacco product in the state
12 for sale in the state; or

13 (3) ships or transports a tobacco product to a retailer in the state for
14 sale by the retailer.

15 * Sec. 4. AS 43.50 is amended by adding a new section to article 4 to read:

16 Sec. 43.50.365. TAX ADJUSTMENT. (a) The amount in AS 43.50.300
17 changes, as provided in this section, according to and to the extent of changes in the
18 Consumer Price Index for all urban consumers for the Anchorage Metropolitan Area
19 compiled by the Bureau of Labor Statistics, United States Department of Labor. The
20 index for January of 1997 is the reference base index.

21 (b) The amounts change on July 1 of each even-numbered year in an amount
22 equal to the percentage of change, calculated to the nearest whole percentage point,
23 between the index for January of that year and the most recent index used to change
24 the amount in AS 43.50.300. However, the amounts do not change if the amounts
25 required by this section are those currently in effect as a result of earlier application
26 of this section.

27 (c) If the index is revised, the percentage of change is calculated on the basis
28 of the revised index. If a revision of the index changes the reference base index, a
29 revised reference base index is determined by multiplying the reference base index
30 applicable by the rebasing factor furnished by the United States Bureau of Labor
31 Statistics. If the index is superseded, the index referred to in this section is the one

1 represented by the Bureau of Labor Statistics as reflecting most accurately changes in
2 the purchasing power of the dollar for Alaskan consumers.

3 * Sec. 5. AS 43.50 is amended by adding a new section to read:

4 Sec. 43.50.380. NOTICE. At the time of a change in the amount of the tax
5 under AS 43.50.365, the department shall promptly give public notice of the change.
6 The department shall also provide notification of a change to all persons licensed under
7 this chapter.

8 * Sec. 6. This Act takes effect October 1, 1996.

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9-LS1268F
Chenoweth
12/7/95

BILL NO.

IN THE LEGISLATURE OF THE STATE OF ALASKA

NINETEENTH LEGISLATURE - SECOND SESSION

BY THE _____ RULES COMMITTEE BY REQUEST OF THE LONG RANGE FINANCIAL
PLANNING COMMISSION

Introduced:

Referred:

A BILL

FOR AN ACT ENTITLED

1 "An Act relating to the tax on transfers or consumption of motor fuel."

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

3 * Section 1. AS 43.40.010(a) is amended to read:

4 (a) There is levied a tax of 21.9 [EIGHT] cents a gallon on all motor fuel sold or
5 otherwise transferred within the state, except that

6 (1) the tax on aviation gasoline is four and seven-tenths cents a gallon;

7 (2) the tax on motor fuel used in and on watercraft of all descriptions is

8 eight [FIVE] cents a gallon; and9 (3) the tax on all aviation fuel other than gasoline is three and two-tenths
10 cents a gallon.

11 * Sec. 2. AS 43.40.010(b) is amended to read:

12 (b) There is levied a tax of 21.9 [EIGHT] cents a gallon on all motor fuel
13 consumed by a user, except that

14 (1) the tax on aviation gasoline consumed is four and seven-tenths cents

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1 a gallon;

2 (2) the tax on motor fuel used in and on watercraft of all descriptions is
3 eight [FIVE] cents a gallon; and

4 (3) the tax on all aviation fuel other than gasoline is three and two-tenths
5 cents a gallon.

6 * Sec. 3. AS 43.40.030(a) is amended to read:

7 (a) Except as specified in AS 43.40.010(j), a person who uses motor fuel to
8 operate an internal combustion engine is entitled to a refund of 15.9 [SIX] cents a gallon
9 if

10 (1) the tax on the motor fuel has been paid;

11 (2) the motor fuel is not aviation fuel, or motor fuel used in or on
12 watercraft; and

13 (3) the internal combustion engine is not used in or in conjunction with
14 a motor vehicle licensed to be operated on public ways.

15 * Sec. 4. AS 43.40 is amended by adding a new section to read:

16 Sec. 43.40.045. TAX AND REFUND ADJUSTMENT. (a) The amounts in AS
17 43.40.010(a) and (b) and 43.40.030(a) change, as provided in this section, according to
18 and to the extent of changes in the Consumer Price Index for all urban consumers for the
19 Anchorage Metropolitan Area compiled by the Bureau of Labor Statistics, United States
20 Department of Labor. The index for January of 1997 is the reference base index.

21 (b) The amounts change on ^{July} October 1 of each even-numbered year in an amount
22 equal to the percentage of change, calculated to the nearest whole percentage point,
23 between the index for January of that year and the most recent index used to change the
24 amount in AS 43.40.010. However, the amounts do not change if the amounts required
25 by this section are those currently in effect as a result of earlier application of this section.

26 (c) If the index is revised, the percentage of change is calculated on the basis of
27 the revised index. If a revision of the index changes the reference base index, a revised
28 reference base index is determined by multiplying the reference base index applicable by
29 the rebasing factor furnished by the United States Bureau of Labor Statistics. If the index
30 is superseded, the index referred to in this section is the one represented by the Bureau
31 of Labor Statistics as reflecting most accurately changes in the purchasing power of the

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1 dollar for Alaskan consumers.

2 (d) The department shall adopt a regulation announcing

3 (1) on or before June 30 of each year in which amounts are to change, the
4 changes in amounts required by (b) of this section; and

5 (2) promptly after the changes occur, changes in the index required by (c)
6 of this section, including, if applicable, the numerical equivalent of the reference base
7 index under a revised reference base index and the designation or title of any index
8 superseding the index.

9 (e) The department shall also provide notification of a change in amounts
10 required under (b) of this section to all dealers that collect the tax levied by
11 AS 43.40.010.

*eff Oct 96,
deletes gasoline exemption*

MEMORANDUM

State of Alaska
Department of RevenueTO: Brad Pierce
Policy Analyst
Office of Management and Budget

DATE: November 2, 1995

TELEPHONE NO: 465-4773

FROM: Robert Bartholomew *RB*
Deputy Director
Income and Excise Audit Division

SUBJECT: LRFPC Legislation

The Long Range Financial Planning Commission (LRFPC) has prepared eight pieces of draft legislation. Four of these have a direct impact on the Department of Revenue and based on our review I have the following comments.

Motor Fuel Program Tax Increase

The current draft legislation does not provide for an effective date. For analysis purposes we assumed the increases would take effect July 1, 1996. Sections 1 and 2 raise the tax rate on motor fuel from 8 cents a gallon to 21.9 cents. Special rates for aviation and marine fuel are not increased. Section 3 increases the refund for "off-highway" fuel to 15.9 cents a gallon, the effect is to increase taxation of this fuel type from 2 cents a gallon to 6 cents. Section 4 establishes provisions for adjusting rates every two years to compensate for the CPI. Subparagraph (b) and (c) is hard to understand and the exact requirement is unclear. We recommend reviewing the intent of this section and finding a simpler way of saying it. Also is the intent to change rates on *★* October 1? If so, why in the middle of a fiscal year?

Our estimate of potential new revenue is based on FY 95 tax collections. For FY 97 the increase would be approximately \$36.4 million (\$6.4 million from off-highway). The current legislation does not change the exemption from tax for gasohol. We estimate 60 million gallons to be exempted in FY 96 which is a loss of \$13,000,000 in revenue. The division anticipates requesting an additional position and related support costs (total \$75,000 a year) beginning in FY 97 for taxpayer education and to enhance compliance efforts related to this legislation.

★ Note: this is date CPI posted by US Dept Labor.

9-LS1268VA ✓
Chenoweth
9/5/95

BILL NO.

IN THE LEGISLATURE OF THE STATE OF ALASKA
NINETEENTH LEGISLATURE - SECOND SESSION

BY**Introduced:****Referred:****A BILL****FOR AN ACT ENTITLED**

1 **"An Act relating to the tax on transfers or consumption of motor fuel."**

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

3 *** Section 1.** AS 43.40.010(a) is amended to read:

4 (a) There is levied a tax of 21.9 [EIGHT] cents a gallon on all motor fuel sold or
5 otherwise transferred within the state, except that

6 (1) the tax on aviation gasoline is four and seven-tenths cents a gallon;

7 (2) the tax on motor fuel used in and on watercraft of all descriptions is
8 five cents a gallon; and

9 (3) the tax on all aviation fuel other than gasoline is three and two-tenths
10 cents a gallon.

11 *** Sec. 2.** AS 43.40.010(b) is amended to read:

12 (b) There is levied a tax of 21.9 [EIGHT] cents a gallon on all motor fuel
13 consumed by a user, except that

14 (1) the tax on aviation gasoline consumed is four and seven-tenths cents
15 a gallon;

1 (2) the tax on motor fuel used in and on watercraft of all descriptions is
2 five cents a gallon; and

3 (3) the tax on all aviation fuel other than gasoline is three and two-tenths
4 cents a gallon.

5 * Sec. 3. AS 43.40.030(a) is amended to read:

6 (a) Except as specified in AS 43.40.010(j), a person who uses motor fuel to
7 operate an internal combustion engine is entitled to a refund of 15.9 [SIX] cents a gallon
8 if

9 (1) the tax on the motor fuel has been paid;

10 (2) the motor fuel is not aviation fuel, or motor fuel used in or on
11 watercraft; and

12 (3) the internal combustion engine is not used in or in conjunction with
13 a motor vehicle licensed to be operated on public ways.

TO:

**COMMISSIONERS LONG RANGE FINANCIAL PLANNING
COMMISSION**

FROM:

**MELISSA FOUSE
STAFF, LONG RANGE FINANCIAL PLANNING COMMISSION
FAX: 258-9869
PHONE: 258-8165**

FOLLOWING ARE:

- 1. BILL DRAFT INCREASING MOTOR VEHICLE REGISTRATION FEES,
REPEALING EXEMPTIONS, AND INDEXING FURTHER INCREASES TO
THE US CPI**
- 2. ATTORNEY GENERAL COMMENTARY ON THE BILL; MOST OF THIS IS
TECHNICAL DRAFTING COMMENTARY, HOWEVER THE LAST
PARAGRAPH ADDRESSES THE POLICY ISSUE OF REPEALING
EXEMPTIONS.**

7 PAGES

NO MORE BILL DRAFTS WILL FOLLOW

MEMORANDUM**State of Alaska**
Department of Law

TO: **Deborah Behr**
Assistant Attorney General
Legislation/Regulations Section

DATE: **October 31, 1995**

FILE NO.:

465-3428

TEL. NO.:

SUBJECT: **Long Range Financial Planning**
Commission Bill increasing motor
vehicle registration fees

FROM:

Anne D. Carpeneti *alc*
Assistant Attorney General
Criminal Division

At your request we have reviewed the referenced bill, and have the following technical comments:

1. Section one of the bill amends AS 28.10.108(b)(1) and (2). These sections should be repealed rather than amended, because the Department of Public Safety, since the original staggering of registration, follows AS 28.10.108(c). AS 28.10.108(c) should be amended to eliminate reference to AS 28.10.108(b).

2. Section four of the bill repeals the registration fee exemption for disabled veterans and other handicapped persons; a conforming amendment is required for AS 28.10.181(d), which authorizes the exemption.

3. Section four of the bill repeals the registration fee exemption for charitable organizations; AS 18.10.181(e) should be amended to eliminate reference to charitable organizations.

*4.10
one time
fee motor
vehicle*
4. Section four of the bill repeals the registration fee exemption for certain amateur radio station vehicles; AS 28.10.181(i) provides for distinctive plates for these vehicles, although it does not refer to charges for the plates. This may need a conforming amendment providing a fee for the distinctive plates.

5. Section four of the bill repeals the registration fee exemption for Pearl Harbor survivors and former prisoners of war; AS 28.10.181(l), which authorizes the exemption, must also be amended to conform with the elimination of the fee exemption.

6. Section four of the bill repeals the registration fee exemption for persons 65 years of age or older; AS 28.10.411(f), which authorizes the exemption, must also be repealed.

7. Section five of the bill requires the Department of Labor to adjust the registration fees for inflation every even-numbered year. The language is awkward, but is apparently clear enough to the Department of Labor. I spoke to Chris Miller, Acting Chief of the research section of the Department of Labor, who made three observations: first, the

Deborah Behr
Assistant Attorney General

October 31, 1995
Page 2

department doesn't like this kind of provision; second, on page five, line two, they suggest the insertion of "U.S. City Average" between "the" and "Consumer" to make it certain which part of the CPI is referenced; and third, on page five, line eight, replace "and" with "who" so that the state agency publicizing the fee schedule is the Department of Public Safety. The department can provide fee adjustment figures, but they don't want to be in the position of being required to promulgate regulations. This should be clarified in the bill.

8. The Department of Public Safety informs me that the time schedule for fee increases in section five is inadequate. They need six months lead time for fee increases. Similarly, they require a later effective date, e.g., January 1, 1997, in order to administer the fee increases. Finally, DPS would prefer that the Department of Labor publicize the fee increases.

In addition to these technical comments, you should be aware that state criminal justice agencies met and agreed that removing the registration exemption for certain groups, e.g., Pearl Harbor survivors, is not a good idea. The savings involved in removing these exemptions is so minor that it isn't worth the possible affront to the few persons qualifying for them.

ADC:jf

cc: Ron Otte, Commissioner, DPS

9-LS1267A ✓

Ford

9/11/95

BILL NO.**IN THE LEGISLATURE OF THE STATE OF ALASKA****NINETEENTH LEGISLATURE - SECOND SESSION****BY****Introduced:****Referred:****A BILL****FOR AN ACT ENTITLED**

1 "An Act relating to motor vehicle registration fees; and providing for an effective
2 date."

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

4 * **Section 1.** AS 28.10.108(b) is amended to read:

5 (b) Subject to the provisions of (f) of this section, a vehicle subject to registration

6 (1) under AS 28.10.011 and 28.10.421(b)(3) and (4) and (c)(1) - (4) shall

7 have its initial registration, and may have its annual registration, renewed during the
8 month of December;

9 (2) under AS 28.10.181, 28.10.411 and 28.10.421(d)(3) and (8) [(9)]

10 shall have its initial registration, and may have its annual registration, renewed during the
11 month of January.

12 * **Sec. 2.** AS 28.10.421(b) is amended to read:

13 (b) The annual registration fees under this subsection are imposed within the
14 following classifications for:

(1) a passenger vehicle or motor home not used or maintained for the transportation of persons or property for hire or for other commercial use

..... \$70 [\$35];

(2) a pick-up truck or a van not exceeding 6,000 pounds unladen weight and not used or maintained for the transportation of persons or property for hire or for other commercial use

\$80 [\$40];

(3) a taxicab

\$140 [\$70];

(4) a motor bus with a seating capacity for 20 or more persons and used exclusively for commercial purposes in the transporting of visitors or tourists

..... \$170 [\$85];

(5) a motorcycle or a motor-driven cycle

\$40 [\$20];

(6) a trailer not used or maintained for the transportation of persons or property for hire or for other commercial use, including, but not limited to, a boat trailer, baggage trailer, box trailer, utility trailer, house trailer, travel trailer, or a trailer rented or offered for rent

\$10 [\$5].

* Sec. 3. AS 28.10.421(c) is amended to read:

(c) The annual registration fees under this subsection are imposed and are based upon the actual unladen weight as established by the manufacturer's advertised weight or upon the actual weight which the owner shall furnish, subject to the approval of the commissioner or the commissioner's representative, for a vehicle, including a motor vehicle pulling a trailer or semi-trailer, that is registered in the name of a company or business, or is used or maintained for the transportation of passengers for hire, excepting taxicabs and buses under (b) of this section, or for the transportation of property for hire or for other commercial purposes, including a trailer, semi-trailer, truck, wrecker, tow car, hearse, ambulance, and tractor, as follows:

(1) up to and including 5,000 pounds

\$102 [\$51];

(2) more than 5,000 pounds to and including 12,000 pounds

..... \$172 [\$86];

(3) more than 12,000 pounds to and including 18,000 pounds

..... \$312 [\$156];

(4) more than 18,000 pounds

\$442 [\$221].

BOXSCORE

Entry Permit Prices (as of 4-1-95)

Area	Salmon/ Herring	Gear	Market Range*	Starts Value*	Offers*
Southeast	H	Seine (SN)	200+	173.8	180+
P.W.Sound	H	SN	65+	80.2	63.5+
Cook Inlet	H	SN	70	61.2-	69.5+
Kodiak	H	SN	90	75+	85
Southeast	H	Gillnet (GN)	31-	33.4-	29-
P.W.Sound	H	GN	55	74.8-	50
Kodiak	H	GN	29	23.3	26
Norton Sound	H	GN	12-	13.2-	12
P.W.Sound	H	Pound (PN)	20+	27.2	18+
Southeast	S	SN	75+	75	72+
P.W.Sound	S	SN	67.5	47.1+	67+
Cook Inlet	S	SN	45	134.5	N/A
Kodiak	S	SN	52+	38.1	50+
Chignik	S	SN	210	238.3	200
False Pass	S	SN	180	193.4	N/A
Puget Sound	S	SN	ARO	N/A	N/A
Southeast	S	GN	72+	64.4+	70+
P.W.Sound	S	GN	68+	59.7+	65+
Cook Inlet	S	GN	115+	67.6+	100+
False Pass	S	GN	320+	329.8	310+
B.Bay	S	GN	225+	180.9+	215+
Puget Sound	S	GN	ARO	N/A	N/A
Yakutat	S	Set Net (SGN)	50	42.5	40
P.W.Sound	S	SGN	65	75	55
Cook Inlet	S	SGN	32+	24-	29+
Kodiak	S	SGN	105	90	100+
False Pass	S	SGN	110+	107.9	105+
B. Bay	S	SGN	47.5+	36.4-	45+
Norton Sound	S	SGN	ARO	7.8	N/A
Southeast	S	Hand Troll	8.5	7.4+	8
Southeast	S	Power Troll	28-	27.4+	27.5
Chatham	B-Cod	Lg-Ln	N/A	175.5+	180+
Clarence	B-Cod	Lg-Ln	N/A	120	140+
Southeast	Crab	King/Tanner (KTA)	165+	106.3	135+
Southeast	Crab	King/Tanner (KTA)	190+	153.1	170+
Puget Sound	Crab	Pots	8	N/A	7

Prices may vary in accordance with market conditions.
+ denotes an increase from last month. N/A denotes No Activity.
- denotes a decrease from last month. ARO denotes Any Reasonable Offer.

■ Buyers trying to purchase primary salmon cards are stymied as they now face the possibility of missing this year's fishing season. Secondary salmon fisheries have turned into shark feeds as buyers scramble in last-ditch efforts to engage in any fishery this summer.

■ A number of sellers have decided to take their permits off the market and go fishing this summer, with ex-vessel prices continuing to look encouraging.

By John F. Mitchell with GRAVES & SCHNEIDER, INC.

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FALSE PASS DRIFT \$310K
FALSE PASS SEINE \$180K
CHIGNIK SEINE \$210K
PWS DRIFT FROM \$70K
PWS HERRING SEINE \$62.5K
PWS SALMON SN \$75K
C.I. DRIFT FROM \$99K
KODIAK SALMON SN FROM \$60K
POWER TROLL FROM \$28K
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NORTON SO HERRING FROM \$11.5K
CHATHAM BCOO LL \$CALL
WASH SHRIMP \$OFFERS

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P873M - 58' X 17' X 8' WO HANSEN, RSW, \$250K
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P909M - 60' HEAVY WD LONGLINER, \$140K
P905M - 70' DELTA LONGLINER, \$800K
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P903M - 58' X 19' X 9' DELTA, ASKING \$525K
P904M - 1991 58' X 19' X 9' DELTA, \$CALL
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