

ALASKA LEGISLATURE SPECIAL COMMITTEE / SUBJECT FILES 8672

2404 SCOMM 101 • LONG RANGE FINANCIAL PLANNING COMMISSION, 1995

How much is too much?

The 66 state employees in the Inland Boatmen's Union (IBU) cost the state over \$29 million last year, 70 percent of which were personnel benefit costs. Take the time to compare your bonuses, work schedule, and health insurance to the benefits IBU members currently receive:

- Cash bonuses provided by the state include the Absentee Control Incentive Program (or cash-in of sick leave) and the vacation cash-in program. These two programs enable employees to receive up to 204 times their hourly rate per year.

- IBU members receive an annual pass for passage on the Alaska Marine Highway System for the member (current or retired), member's dependents, and personally-owned vehicle after the member has received pay for one week a month for two years.

- The IBU work schedule is one 84-hour work week on duty (seven consecutive days) and one week off duty (seven consecutive days). A full time employee with 10 years of service to the state working fifteen 84-hour work weeks per year is eligible for fifteen weeks off duty without pay and over 21 weeks off duty with pay. This includes vacation, sick leave, and holiday time.

- The IBU health insurance package includes general health, vision, dental, prescription drugs; marriage counseling, parent/child relationship counseling, financial counseling; depression, managed mental health, treatment of obesity and substance abuse counseling, at a cost to the state of \$5,082 per year, per employee. The deductible for this insurance is \$250 per union member and \$500 for family members.

- The IBU employees are the only state employees who receive full-time health and leave benefits for part-time work. How much is too much?

WHO SENDS THE MONEY?



This year, Alaska state government is funded until March 14 by:

non-oil corporate taxes	insurance premium taxes
alcohol taxes	gaming taxes
aviation fuel taxes	estate taxes
highway fuel taxes	gravel sales
marine fuel taxes	timber sales
tobacco taxes	airport fees
business license taxes	ferry system fees
fish taxes	court system fines

The other 292 days are funded by oil money.

How many new taxes will our elected officials add to this list as oil revenues continue to decline? Now is the time for responsible fiscal planning.

State revenues are perched on the edge of a steep and steady decline, yet spending has continued to increase.



- Do we apply a meat axe approach to cutting the bureaucracy?
- Do we initiate new taxes on Alaskans to sustain state spending at its frantic pace?
- Or do we initiate reasonable spending cuts now to avoid imposing new burdens on Alaska's private sector?

If you have an idea for Common Sense For Alaska Newsletter, contact Kym Swift at (907) 276-7648

\$100 doesn't go far

Continued from page 1

7,732 employees is 19,330 hours or the equivalent of 483 full time jobs.

Yearly increases in wages are based on merit and cost of living increases. Theoretically, merit increases are awarded if an employee receives a performance evaluation of acceptable or better and has demonstrated a progressively greater value to the state.

In reality, for example, an arbitrator found that an employee who was on approved sick leave for almost six months of the rating period (1 year) must be considered for an merit increase. In the vast majority of instances, the fact that an employee has reached the merit anniversary date (1 year of service) means that the "duration" aspect of progressively more valuable service has been satisfied.

A merit increase ranges from 2.5 percent to 7.3 percent per year. Add to that a cost of living increase of 3.57 percent: GGU members received 6.07 percent to 10.87 percent in wage increases last year. More than 94 percent of GGU members received both types of pay increases.

GGU members also have the benefit of a legal trust fund that may be used for child custody matters, buying a home, will preparation, preparing a trust and numerous other personal legal matters. The employer (the State) has no voice in the amount or type of service provided by the trust. With 8,450, members the cost to the State of Alaska of the Legal Trust is \$807,000 per year.

Government is not driven by supply and demand as in the private sector. Private business reduces the work force, becomes more efficient, increases productivity and becomes more competitive when times are hard. In the private sector, guaranteed work schedules and wage increases are a function of the profit margin and benefits such as legal trust funds are virtually unknown. Perhaps it is time for Alaska's biggest business, State Government, to look at Alaska's smaller businesses for the answers to its fiscal problems.

Is the gap an illusion?

While it may seem like a cliché by now, nothing is more fundamental to Common Sense's thinking than the certainty of an Alaska fiscal gap crisis.

It's just a question of when.

So why does the legislature not act on what seems so obvious to so many? Looking at recent state spending and revenues one might think that there is no problem. (See chart).

This chart has an expenditure bar and a revenue bar for each of five fiscal years. The spending bar is broken into operating, "normal" capital, and "special" capital funds. And even though capital appropriations are considered as one time expenditures only, more than \$300 million has been treated as a regular budget expense over the past few years. Thus "special" capital is for those projects that are probably one-time only: in 1994 the \$275 million in school construction falls into the special category.

The revenue bar is also made up of three parts: yearly revenue from taxes and royalties, carry forward and settlement dollars, and savings accounts. Since Alaska cannot print money, the revenue bar must always appear to be higher than the expenditure bar.

One might look at this chart and think that things don't look as bad as Common Sense seems to portray. Spending is less than total revenues, and so it would seem that the state is not having to borrow money to pay its bills. Further, operating budgets seem flat and are close to ongoing revenues. But if you look carefully at this chart, knowing that oil production is declining, things look very ominous, indeed.

In 1990, the state had enough yearly income to cover all of its expenses. With the higher oil prices resulting from the gulf war, the picture seemed even brighter in 1991. But for the last three years, revenues have been much lower and the state has systematically been spending its savings to fund the capital budget. In a sense, Alaska has been making withdrawals from its savings accounts that could be used in the future to run government when the oil revenues fall short. Unless prices rebound, the legislature will, in 1995, have to start turning over more and more rocks to find the money needed to feed its burgeoning bureaucracy.

Is the fiscal gap a delusion? No it isn't. It's just a question of how long the state can spend its savings while leading us to the inevitable crash when the money runs out.

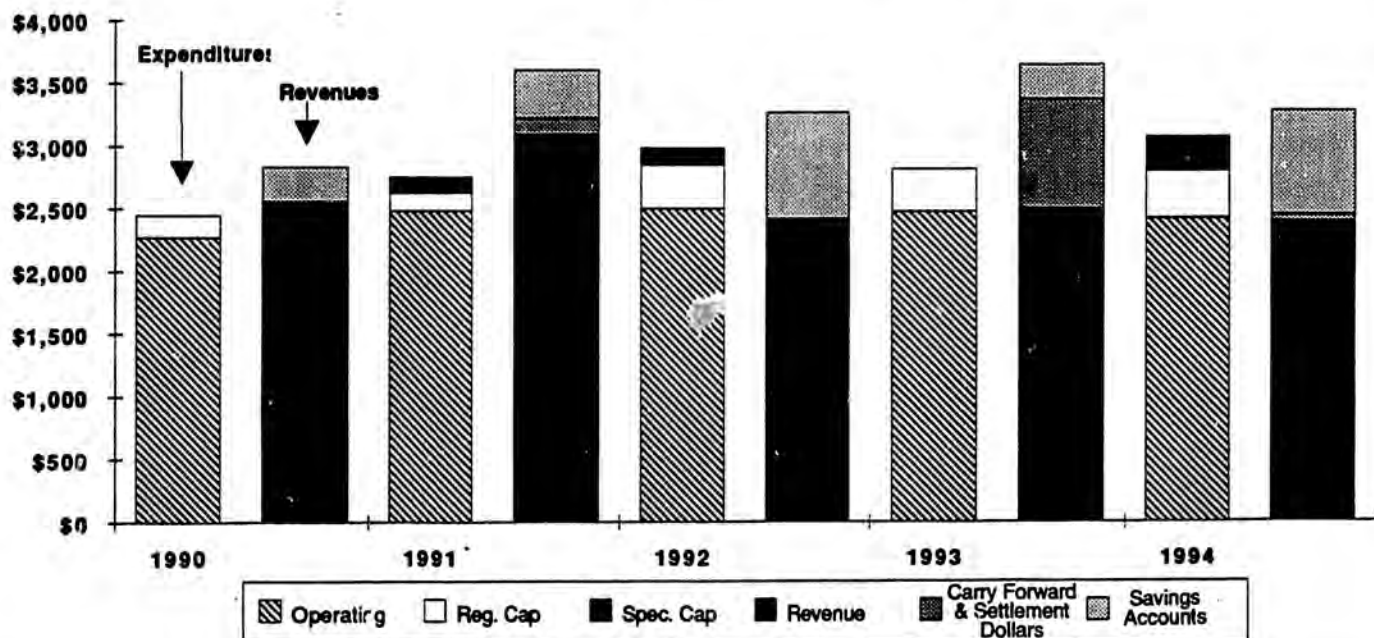
WHAT IS THE CONSTITUTIONAL BUDGET RESERVE?

The Constitutional Budget Reserve fund is to be a depository for certain money the state receives from mineral revenue lawsuits or administrative disputes. It was touted as the first step Alaskans could take to effectively control state spending and a major step towards a long-term spending plan for the state. It was placed on the November 1990 ballot and was passed statewide by a 2:1 margin. Appropriations from the budget reserve requires a three-quarters vote by both branches of the Legislative body. And all money spent from the Constitutional Budget Reserve fund must be returned to the fund.

In April 1992, the Alaska Attorney General released an opinion that allowed the administration to deposit into the general fund proceeds of certain tax and mineral revenue disputes.

Common Sense for Alaska supports the two lawsuits that the Senate majority and former Gov. Steve Cowper have brought against the administration.

Alaska Spending and Revenue



The State's fiscal gap. It's real.

As the fiscal gap grows, it could cost your family thousands of dollars per year in taxes, just to pay for state government. Common Sense doesn't think that's what Alaskans want.

Common Sense believes we have to do something...and we have to do it now.

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COMMENTS: _____

Please join us today!

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Public employees

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Cash Bonus

All eleven unions have provisions for cash bonuses; allowing members to cash in vacation and/or sick leave. Payments range from 5 days to 4.8 weeks of the member's daily wages. In addition to this, two unions receive annual payments of 84 hours of their hourly rate per year after seven years of service to the state. In demonstrated hardship cases, the employer may authorize payment for accrued but unused annual/vacation leave in excess of the standard payment.

In light of the current fiscal problems state government is undergoing, how much longer can we afford these types of benefits? Are you willing to pay additional taxes to provide them?

WASTE STOPPERS?**Alaska searches for the perfect pine cone**

On January 24, 1991, Governor Hickel announced the 'Waste Stoppers' 800 phone line. The phone line was set up to reward Alaskans who found ways to reduce spending in state government.

On June 1, 1992, caller number 573 reported "massive waste" in the state fire suppression program, specifically in the Delta Junction office. The caller said the Forestry Office used a helicopter to drop employees to pick pine cones.

Response by the State was as follows, "The helicopter used in 1990 for pine cone harvest was obtained through normal procurement which included solicitations from eight helicopter aviation companies...as part of the Division of Forestry's reforestation program. The project was accomplished in four days using only 21 hours of the 35 hours of flight time ordered."

This suggestion was deemed "not a problem" by the administration.

Source: OMB Waste Stopper Hotline Program Report, page 18

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MONEY WATCH

Common Sense For Alaska

Territorial benefit

Pioneers Homes: \$30 million in costs

The first Pioneers Home was established in Sitka in 1913 for "indigent prospectors and others who have spent their years in Alaska." In 1957 the doors of the homes were opened to women and Native Alaskans. Currently there are six state-supported Pioneers Homes which offer a comfortable, secure home for a maximum of 605 residents.

There are numerous differences between long-term care facilities in the private sector and the Pioneers Homes. Perhaps the most notable difference is that 85% of the cost of operating the Pioneers Homes is funded by the state. In private nursing homes, the patients are required to pay the full cost of care until the patients' resources are depleted, at which point they typically can qualify for Medicaid. The state and federal government jointly bear the cost of care for Medicaid recipients.

The Alaska Department of Administration conducted a cost-benefit analysis addressing Pioneers Homes operation as it relates to federal Medicaid certification requirements. Among its findings:

DISCRIMINATION

The Pioneers Homes would be unable to receive Medicaid certification from the federal Office of Civil Rights, because our Pioneers Home regulations require a 15 year continued residency in Alaska.

This issue was addressed in 1992 by Palmer Superior Court Judge Beverly Cutler, who ruled in the case of one applicant that "the residency requirement for admission to an

Alaska Pioneers Home is unconstitutional under the equal protection clause of the United States and Alaska Constitution."

The state of Alaska was expected to adopt emergency regulations in early December which reduce the residency requirements from 15 years to one year for admission. These regulations will be in place in early 1994.

COST OF CARE

To qualify for Medicaid, the Pioneers Homes would have to adopt a fee-for-services structure based on the full cost of care and on the financial resources of the patients.

Within the Pioneers Homes there are three care levels: residential care; assisted living care; and nursing care. Residential care, which is similar to apartment living, costs the state \$1,900 per month per resident while the financially able resident pays \$600 monthly. Assisted living care residents receive help with two or more activities daily, costing the state \$3,000 monthly per resident, while the financially able assisted living resident pays \$700 per month. Nursing care residents require 24 hour care supervised by registered nurses, costing the state \$7,500 monthly per resident, while the financially able resident pays only \$880 per month.

More than 80 percent of all patients in Alaska's nursing homes have their bills paid by the State of Alaska and the federal government through the Medicaid program. In FY 93, the State of Alaska spent approximately \$18,499,910* on 3,441 Medicaid recipients

Continued on page 2

93 weeks or \$129,392

As of November 4, 1993 there were 105 public employees who had accrued more than 34 weeks of vacation time for a total of 4,954 weeks which has a cash value of \$6,931,758.12. State employees have a right to be paid the full cash value of accrued vacation time upon termination.

Cash value is determined by multiplying accrued vacation hours by the employee's hourly rate for a cash payment. The 10 employees with the highest hourly accumulation are listed in the box to the right.

Vacation or cash

	Vacation Weeks	Cash Value
1. Coroner/Public Admin. II	93 wks.	\$129,392.38
2. Fisheries Scientist	83 wks.	\$120,251.16
3. Division Director	80 wks.	\$142,847.69
4. Building Maint. Manager	69 wks.	\$106,753.42
5. Analyst/Programmer	68 wks.	\$98,021.52
6. Special Projects Coord.	66 wks.	\$107,212.00
7. Dep. Commissioner	66 wks.	\$107,031.26
8. Administrative Off II	65 wks.	\$79,887.16
9. Engineer IV	65 wks.	\$112,801.15
10. Committing Magistrate	65 wks.	\$91,075.30

Public employees and the Pioneers Homes

According to Governor Hickel's Organizational Efficiency Task Force Summary Report, approximately \$1 million annually could be saved through the privatization of some of the services provided in the Pioneers Homes throughout the state, as has been done for food services, janitorial services and maintenance services in the Juneau Pioneers Home, resulting in a need for fewer state employees. The Task Force suggestion was rejected by the

Division of Pioneers Benefits, citing that it was not cost effective at present.

Over 80 percent of the budget for the Pioneers Homes is personnel cost. This does not include personnel costs currently incurred in contracted services. The Pioneers Homes employees are represented by three public service unions.

Sources: Governor Hickel's Organizational Efficiency Task Force Summary Report, Summary of Appropriations FY92.

Total Beds vs. Public Employees

Total Beds Occupied in October 1993

	Residential	Assisted Living	Nursing	Total Beds Occupied	Total beds Vacant	Total budgeted full/part time employees
Sitka	38	17	29	84	27	90/18
Fairbanks	37	25	32	94	6	82/20
Palmer	20	30	27	77	5	74/31
Anchorage	102	22	84	208	13	157/43
Ketchikan	5	18	17	40	2	42/22
Juneau	12	10	21	43	6	*31/14
	214	122	210	546	59	476/148

Note that the total number of Pioneers Home employees exceeds the number of beds occupied, with the exception of the Anchorage Pioneers Home.

*Food services, janitorial services and maintenance services in the Juneau Pioneers Home are contracted out.

Pioneers Homes

Continued from page 1

over the age of 65; of this, 816 recipients received care in a nursing home at a total cost of \$15,493,063**. The State of Alaska spent an additional \$30,392,800*** to operate Pioneers' Homes, which cared for 644 older Alaskans.

There are currently 293 Alaskans on the waiting list for the Pioneers Homes and 142 vacant beds in private care facilities throughout the state.

*average per recipient cost of \$5,376

**average per recipient cost of \$18,986

***average per recipient cost of \$47,193

Source: Alaska Pioneers Homes System, Revenue & Expenditures Alternatives, Applicant for admission to the Pioneers Homes, Alaska Medicaid Management Information System Report #MR-0-42-SF4, Alaska Pioneers' Home Occupancy Report.

A look back

The Institute of Social and Economic Research (ISER) has released a November publication entitled, *What We Learned About Alaska's Finances: Findings 1989-1992*. Dr. Scott Goldsmith, the principal author, is an economist with 17 years experience analyzing state finances. One of his conclusions is: "Alaska's state government and economy are in danger because they both rely so heavily on state oil revenue." As someone interested in Common Sense, you will find the publication insightful and timely. For more information call ISER at 786-7710.

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Efficiency report?

Governor Hickel established the Organizational Efficiency Task Force to investigate cost and operational efficiencies in state government. Here are just a few of the results reported in the Organizational Efficiency Task Force Implementation Progress Report.

Suggestion:	Simplify contracts
Implementation	
Status:	Declined
Comments:	Not considered practical
Suggestion:	The Task Force identified numerous supervisory positions responsible for only two or three individuals; therefore they recommended that all redundant supervisory positions should be downgraded to the highest non-supervisory level, and every effort made to retain the technical skills of present personnel.
Estimated Saving:	Not stated in report
Implementation	
Status:	Declined
Comments:	None reported
Suggestion:	Efforts to privatize the activities of the Alaska Tourism Marketing Council and the Alaska Seafood Marketing Institute should continue.
Estimated Saving:	\$12,000,000 annually
Implementation	
Status:	Declined
Comments:	None reported

Source: Governor Hickel's Efficiency Task Force Implementation Progress Report

A NEGATIVE BALANCE?

While Alaska was still at the peak of oil production, the legislature had the foresight to set up the "470 Fund," a cash reserve for the clean-up of accidental discharges of oil or hazardous substances in Alaska. In 1989, in the wake of the *Exxon Valdez* accident, the statute governing the fund was amended 10 times. Five of the amendments expanded the purposes of the fund and one established a .05¢ per barrel tax on oil. This tax was to be suspended when the spill fund balance reached \$50 million and reimposed when the spill fund balance was below \$50 million.

As of August 20, 1993 more than \$109 million in taxes had been collected and deposited into the oil spill fund; yet, the fund had a negative \$8 million balance.

Money from the 470 Fund has been used for cleaning up state campgrounds, state airports, privately owned greenhouses, and for purchasing new ferries. These are important concerns, but they are not oil spill emergencies. Gov. Walter Hickel's Efficiency Task Force Report has indicated that the liberal use of the 470 Fund appears to have created a pool for operating cash, for the Department of Environmental Conservation rather than being used as it was intended.

As oil production and state revenues continue to decline, the state needs to closely review the present policy on the use of these funds.

Sources: Governor Hickel's Organizational Efficiency Task Force: Summary Report; Department of Administration

THE COMING YEAR

Jan. 10	First day of Legislative session
May 10	The 121st day of Legislative session
June 1	Last day to file for the general election
Aug. 23	Primary for the general election
Sept. 24	Last day to file as a non-partison person in general election
Nov. 8	The general election

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Our minimum dues structure is \$25 for individuals and \$250 for businesses.

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COMMENTS: _____

Checked your oil lately?

It appears the budget is out of line with reality. More than 80% of state revenue is based on the price and amount of oil produced in Alaska. The budget for FY 1994 is based on a barrel of oil selling for \$18.25. For the first five months of FY 1994 the cumulative average for a barrel of oil was \$15.19. For each \$1 decrease in the price of oil the state "loses" \$130 million.



Another component of the forecast is the amount of oil being produced. This year's budget was based on pipeline throughput of 1.746 million barrels of oil per day. Currently the amount of oil traveling down the pipeline is 1.572 million barrels per day. For each percentage point the throughput drops the state "loses" another \$17 million per year.

As of December 6, 1993, the State of Alaska overestimated its projected oil-based revenues by \$400 million.

Source: Oil and Gas Audit Division, Department of Revenue

WASTE STOPPERS?

On January 21, 1992 caller number 614 suggested that all state agencies be required to use "Zip+4" for bulk mailings with a cost saving of 4.8 cents per item mailed. In response, the central mailroom requested and received approval for equipment which can read a nine digit zip code and then sort the mail for bulk mailings. Currently, this equipment is used only by the Longevity Bonus Program. To date, other state agencies that deliver mail to the central mailroom do not use a nine digit zip code and therefore continue to mail at the higher rate for bulk mailings.



Source: OMB, Waste Stoppers Hotline Report, Hotline Program Report.

Appropriation limit

Over the years many states, including Alaska, have established limitations on state government spending, either through independent action on the part of legislatures or in response to constituent demands or initiatives.

In 1982 an amendment to the Alaska Constitution was adopted which put a cap on state appropriations. Constituent desire for restraint in state spending was further reinforced by the Alaska voters in their reaffirmation of the amendment in the 1986 general election.

In fact, Alaska's spending cap has never restrained state spending. The constitutional spending limit is based on the 1982 revenue year, which historically was the peak of oil-boom revenues at \$2.5 billion. State revenues have never since exceeded this level.

Due to the structuring of the Alaska budget cap in 1982 and the changes which have occurred in the Alaska economy, the current constitutional provision is not an effective method for limiting government spending. Given current projections for future state revenues, it is unlikely it ever will be.

Perhaps it is time to revisit this issue and adopt a meaningful appropriation limit that would reflect Alaska's current revenue stream.

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Highway work fails tests; no costs recovered by state

During the winter of 1991-1992, the Glenn Highway from Muldoon Road to Hiland Road experienced rapid deterioration of the road surface. DOT/PF decided to perform the repaving work in-house, instead of issuing bid requests for the work. Standing material and supply contracts were used to provide the asphalt, paving equipment, and crews.

The direct cost of the project totalled approximately \$1.15 million and was paid from FY 92 and FY 93 deferred maintenance funds and FY 93 operating funds. The asphalt supply contractor received \$760,500 of that total.

Alaska Statute 19.10.170 allows the de-



Continued on page 3

Proposed Budget

The goal of Governor Hickel's FY 95 operating budget is to maintain an acceptable level of state services to the public, while Alaskans and our elected officials cope with the long term problem of falling revenues. Here are a few of the proposed budget increases:

	FY 94	FY 95 (Proposed Budget)	Percent Increase
Department of Corrections			
Office of the Commissioner	\$888,200	\$1,180,100	32.9%
Department of Education			
Special Project	0.00	\$85,000	100.0%
Boarding Home Grants	\$230,000	\$355,000	54.3%
Department of Health & Social Services			
Alaska Work Programs	\$2,185,000	\$2,491,800	14.0%
Department of Labor			
Alaska Work Programs	\$153,200	\$401,400	162.0%
Department of Transportation			
Commissioner's Office	\$485,100	\$560,100	15.5%
Engineering Management	\$935,700	\$1,251,000	33.7%
Statewide Engineering	\$1,453,800	\$1,474,300	1.4%
Leasing and Property Management	\$536,000	\$571,500	6.6%
Leasing and Property Management	\$470,400	\$572,900	21.8%
Engineering Management	\$916,200	\$1,002,900	9.5%
Engineering Management	\$651,000	\$739,100	13.5%
University of Alaska			
Statewide Services	\$6,429,000	\$9,901,100	54.0%
Department of Health & Social Services			
Medicaid State Programs	\$1,663,300	\$2,081,700	25.2%
Child Care Benefits	\$1,574,600	\$2,094,200	33.0%

Source: Office of Management and Budget Review, Operating Budget, No Federal Funds

Is Alaska providing "Ivy League" education?

The Department of Education's budget is developed on the basis of a series of factors, including the average number of students in school, the ability of a city or borough within the school district to contribute, the Alaska Native Claims Settlement Act, and other state and federal programs, with additional funding for vocational, special education, and the gifted/talented. The budget then is adjusted by the area cost of living. The school districts listed at the right had the highest per student cost in FY 1992.

In FY 1992, there were 28 students in the Aleutian Region School District, nine students at the Nikolski school and 19 at the Atka school. Operating expenditures for the categories of administration, operation & maintenance, and "other" expenses consumed 62.6% of the total budget, of which 83.9% was state funded. The pupil to instructional staff ratio was 4.1:1.

The North Slope School District had a total enrollment of 1,735 students, attending 9 area schools. The largest portion of this district's revenues is from local support (59.2%), which is nearly double the local support of the

Alaska School Districts	Cost to AK per year per student
Aleutian Region	\$27,896
North Slope	\$21,854
Saint Mary's	\$20,728
Lake & Peninsula	\$19,874
Southwest Region	\$16,663

Anchorage School District. There was a 6.7:1 pupil to instructional staff ratio.

In the Saint Mary's School District there were 128 students enrolled in either Andreafski High School or Elicarvicuar Elementary School. The average salary of the central office staff was \$85,650 per year and for teachers it was \$40,415 per year. There was a 5.9:1 pupil to instructional staff ratio.

Ivy League Colleges	Tuition per year per student
Princeton University	\$17,750
Yale University	\$17,500
Dartmouth College	\$17,334
Harvard University	\$16,454
Stanford University	\$14,280

The Lake and Peninsula School District, for FY 92, had a total enrollment of 522 students. There were 30 instructional buildings and 42 "other buildings" for a pupil to building ratio of 7.3:1. The student to instructional staff ratio was 6.3:1.

There were 9 schools in the Southwest Region School District, which had a total enrollment of 475 students. Enrollment ranged from a low of 2 students at Aleknagik South Shore school, to a high of 151 students at the Togiak school.

In FY 1992, the smallest school district in Alaska was the Aleutian Region District with only 2 schools and 28 students. Statewide there were a total of 56 schools with fewer than 20 students, of which 21 schools had 10 or fewer students. The highest central office staff average salary was \$98,591 per year. There are currently 54 school districts in Alaska.

Source: Profiles of Alaska's Public School Districts, March 1993.

Wisconsin adopts welfare reform

In the State of Wisconsin, a two-tier welfare system will be implemented on July 1, 1994. For the first six months that a new welfare recipient resides there, AFDC benefits would be paid at the same level as that person received prior to moving to Wisconsin, regardless of whether that rate is higher or lower than Wisconsin's. The federal waivers to implement the program were approved on July 27, 1992; the Wisconsin Legislature approved the project on May 20, 1992. This program is designed to stop the immigration from other states which pay lower AFDC payments.

Alaska is currently paying recipients \$1,055 per month in AFDC payments, the highest in the nation. According to the 1993 statistics from the Bureau of the Census, the number of AFDC recipients has grown 600% faster than Alaska's total population.

Are we attracting people here just for the welfare payments? Is this Wisconsin solution one Alaska should adopt?

Source: Gov. Thompson, State of Wisconsin and Bureau of Census

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• Highway work fails test

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partment to perform construction projects in-house only if the commissioner has determined that it would be in the best interest of the state and that the costs would be less than a bid contract. This written determination was not made for the Glenn Highway repaving project.

Samples of the asphalt used on the highway failed 11 of 13 laboratory tests. However, the department failed to notify the asphalt supplier with the results of the tests. Nor did DOT/PF request him to correct the mix and bring it into conformance with the mix specifications.

Quality controls were designed to ensure that the state receives the product that is bought and paid for. Nevertheless, without the appropriate follow-through, there is little reason to perform the tests. The State did not receive the materials it ordered and, because of the lack of follow-through, little benefit was received from the \$6,000 spent on testing the asphalt samples.

Generally, on bid contracts, discrepancies of this magnitude are resolved through a price adjustment to the amount paid the contractor. However, supply contracts do not include a provision for price adjustment. Price adjustment estimates obtained from the Materials Laboratory disclosed that the adjustment would have been between \$25,000 and \$50,000 if a private contractor supplied the asphalt on a bid contract for this project.

The Commissioner of Transportation attempted to modify department procedures after reviewing a legislative audit of the project. He requested a new position within his department to insure compliance with policies and procedures, asking the department's Attorney General representative for a statute review and possible changes, and reminded regional personnel of existing requirements.

Source: Legislative Audit # 25-4451-94

STUDENT LOAN CONTROLS



The Legislative Audit Division has called for tighter controls in the Alaska Student Loan Program.

In an audit released January 1993, the legislative audit agency commented on the following problems (among others) in the student loan program:

"In 1988, the Alaska Student Loan Corporation was created to allow the sale of tax-exempt revenue bonds to finance the program. The bonds issued in 1988, 1989, 1990, and 1992 were insured by AMBAC Indemnity Corporation. The 1991 issue was insurable, however the underwriter declined the coverage. In 1993 AMBAC declined to insure the offering because of the commission's poor performance of due diligence requirements on loan collections. Over 38% of the current student loans in repayment are past due."

"The student loan program is managed by both the Alaska Commission on Post Secondary Education and the Alaska Student Loan Corporation. Authorities and responsibilities are usually split, but sometimes overlap, between the commission and corporation. The close relationship between the corporation and the commission is evident, however the authority and responsibility for the operation of the student loan program is not. The operation of the student loan program would be more effective and efficient if it were administered by one entity." It probably would be less costly, as well.

Source: Alaska Student Loan Corporation Organizational and Operational Efficiency and Alternatives

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PHONE (H) _____ (W) _____

COMMENTS: _____

Lower the expectations

DEC's new user fees are running short of projections, in some divisions at least. The air quality division's air permit section, for example, projected \$1.3 million in new permit fees but will collect under \$500,000. Part of the problem is the learning curve: DEC's regulations on user fees were just adopted in March of 1993 and the agency had no prior experience on which to base estimates. If the trend holds for other divisions, it could mean the legislature may have unrealistic expectations that user fees, paid by businesses or individuals, can replace declining state general funds for DEC, or other state agencies.

The Blue Book

The Blue Book is a bi-annual Department of Education publication that profiles government. Within the book you will find information about state, federal and local governments. You will also find a brief history about Alaska. The State of Alaska sells the book for \$15.

Notwithstanding its bi-annual frequency, the state has personnel costs in the annual budget each year associated with the book.

Source: State of Alaska FY95 Budget

BACK TO THE NEGOTIATING TABLE

The State and Inlandboatman's Union representatives began negotiating a new contract on January 21, 1993. This union includes the unlicensed employees of the Alaska ferry system.

Late last year the union membership voted not to accept the new contract. Here are a few of the benefits from that contract:

Pay increases of up to 3%, for all Union employees

An Alaskan holding the position of waiter/waitress would have earned an hourly rate of \$12.54 and \$18.81 for any overtime. On July 1 of 1994, this pay would have increased again to \$15.45 per hour and \$23.18 for any overtime for the same position.

Vacation Accrual Rates

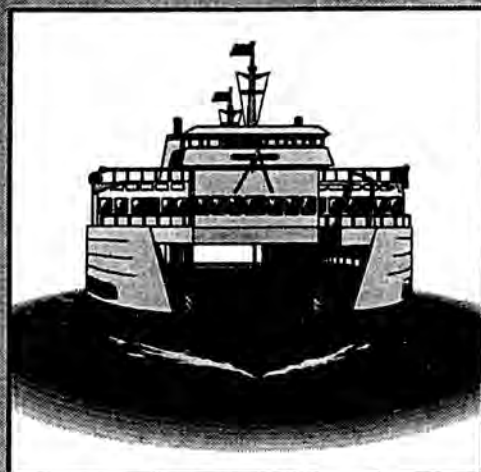
If an employee was hired before April 1, 1985 and had worked 10 or more years, their vacation accrual rate would have been 14 weeks per year. For an employee hired after April 1, 1985 and had worked 5 or more years, the vacation accrual rate would have been 10 weeks per year.

Holidays

There were twelve paid holidays in this contract. Lincoln's Birthday, President's Day, Seward's Day and Alaska Day were four of the paid holidays.

The Inlandboatman's Union is currently working under their old contract, which was highlighted in the first Money Watch newsletter.

Source: Tentative Agreement between State of Alaska and Inlandboatmen's Union 10/29/93.



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Is Alaska ready to rehabilitate the welfare system?

When Congress convenes in January, it is expected that welfare reform will be one of its top priority.

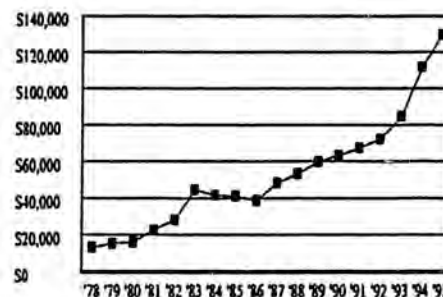
Among the reform initiatives under discussion is a plan to return welfare assistance programs to the states, allowing the states to enact their own welfare reform initiatives. The federal government would provide a base level of funding that would be adjusted annually by population and cost of living changes.

Currently, Alaska 'welfare programs' are overseen by the Alaska Department of Health and Social Services (HSS) and mandated federally. The cost is shared by both federal and state agencies. Alaska's welfare payments are the highest in the nation and the HSS budget is the second largest component of the Alaska state operating budget. The accompanying graph shows the growth in one welfare program in Alaska: Aid to Family with Dependent Children.

A recent survey conducted by the state Department of Health and Social Services indicated that 88% of AFDC recipients in Alaska said they'd rather work than be on welfare. Yet, the current welfare system provides more incentive not to work than to work. For example, if a welfare recipient with one child has total assets in excess of

\$1,500 (including all household goods, any money in a savings or checking account, and a car) and/or earns more than \$821 in any given month, welfare benefits will be reduced.

Aid to Families with Dependent Children
(Thousands of Dollars)



"Workfare" is among the reforms most frequently discussed at the state and national levels. In Alaska's case, there is evidence to suggest that workfare programs could significantly reduce the cost of welfare assistance.

The inherent disincentive for welfare clients to get a job within the current welfare system has already prompted several states to adopt some form of workfare.

Continued on page 2

GOLDEN '?' AWARD

The Golden '?' Award goes to the Department of Fish and Game for the construction of a cabin with public employees, in prime Southeast fishing waters, and on a public employees land (who moon lights as a guide). Now the State of Alaska will be moving the cabin, with public employees and equipment to federal land (pending federal approval). All of this for the Unik River project, a project the State Legislature questioned enough to slash funding.



Source: Legislative committee minutes, Ombudsman's office, CSA member in Southwest Alaska

Hold Harmless for whom?

Did you know that all Alaskans pay directly for welfare benefits? The Permanent Fund Dividend Hold Harmless program replaces welfare benefits with a deduction from your Permanent Fund Dividend (PFD) check. When welfare recipients receive a PFD check, they fail to qualify for welfare. Depending on their individual circumstances and how much other cash they have in subsequent months, they could be disqualified for welfare assistance for up to four months. All welfare benefits paid out during this time are clas-

Continued on page 2

Tally on Alaska's small college campuses

Depending on which campus you choose to attend in Alaska, your college education could cost the state as much as \$52,792 per year. Currently there are 15 college campuses statewide, 12 of which are considered rural or satellite campuses. Here is a sampling of what a legislative audit found regarding those campuses:



Campus	Cost per student per year	Cost per Credit hour	Total Credit Hours Taken	Credit Hours per Faculty
Chukchi	\$52,792	\$1,563	716	239
Kenai	\$9,539	\$281	20,214	469
Kodiak	\$14,608	\$436	5,378	336
Kuskokwim	\$31,295	\$926	4,331	233
Mat-Su	\$5,693	\$168	19,697	711
Northwest	\$26,449	\$780	2,105	270

Source: Legislative Audit #45-4448-94

Hold Harmless for whom?

Continued from page 1

sified to be in a "hold harmless" period. The State of Alaska totals up these welfare payments, divides the amount by the number of PFD checks, and deducts the amount from each dividend check.

Since the first PFD hold harmless deduction in FY 86, which has been estimated by the Department of Revenue at \$6.94 per check, hold harmless expenditures have steadily increased. The FY 94 PFD hold harmless deduction was \$36.45 — more than a 425 percent increase from the original FY 86 deduction.

To manage the "Hold Harmless" program, the Department of Health and Social Services (HSS) must assist the entire

welfare population in Alaska through a tedious application process, monitor what welfare recipients do with their permanent fund dividend, and then as quickly as they become eligible under the federal rules move them back onto the welfare rolls. Originally in 1982, HSS believed that 8 (four-month) seasonal positions could accomplish this effort. Today there are 8 full time positions for this task.

Should working Alaskans be paying for this program from our dividend checks? Or should the Hold Harmless 'program' be funded from other resources? Does this program encourage welfare recipients to stay on the welfare rolls?

Sources: Legislative Audit #06-4457-94 and the Hold Harmless Program manual.

Workfare?

Continued from page 1

For example in Ohio, approximately 25 percent of single mothers on AFDC were required to perform community service work in exchange for the welfare benefits they received. This requirement resulted in an overall reduction in the AFDC single mother caseload of 11.3 percent. There were similar reductions seen in the AFDC-Unemployed Parent program (AFDC-UP), which provides welfare to two-parent families. AFDC-UP required 80 percent of the fathers to participate in workfare, resulting in a 34 percent reduction in the AFDC-UP caseload.

At the same time, the welfare clients have the opportunity to improve their standard of living by allowing them to retain more of their earned income.

Sources: State of Alaska, Department of Health and Social Services, a current welfare client, and Robert Rector, The Heritage Foundation

Where does the money go?

These are line item expenditures from the State of Alaska's accounting system:

Line item	Department of	Total Expenditure	Total Expenditure for all Dept's
Hospitality	Public Safety	\$ 13,314.40	\$ 38,855.07
Advertising	Transportation	\$ 391,126.33	\$ 1,646,031.80
Liquor	Transportation	\$ 114,311.98	\$ 117,006.23
Conventions & Meetings	Environmental Conservation	\$ 944,678.29	\$ 3,856,139.52
Cashing-in of Leave Time	Fish & Game	\$ 417,112.28	\$ 1,176,610.55
Sick Leave	Transportation	\$ 4,876,257.72	\$ 16,807,005.47
Union Business Leave Bank	Public Safety	\$ 95,797.52	\$ 228,801.76
Administrative Travel	Health & Social Services	\$ 1,220,120.50	\$ 4,689,420.68

State revenues are perched on the edge of a steep and steady decline.

- Do we apply a meat axe approach to cutting the bureaucracy?
- Do we initiate new taxes on Alaskans to sustain state spending at its current pace?
- Or, do we initiate reasonable spending cuts now to avoid imposing new burdens on Alaska's citizens?

If you have an idea for
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(907) 276-7648

Science in Alaska?

The Alaska Science and Technology Foundation (ASTF) was created in 1988 to acquire new knowledge for diversification of the economic and social base in the State of Alaska through scientific grants. A total of \$100 million was appropriated to the Foundation as an endowment that is managed by the Alaska Permanent Fund Corp.

Nationally, nearly 60 percent of basic and applied scientific research is funded through grants from government agencies, while the development (putting the new knowledge to work) is funded by private industry. The legislation that created the Foundation anticipated that any new knowledge gained through ASTF grants would be developed by private industry in Alaska. The logic was that private industry would respond faster to market forces and make better development decisions than government agencies. Yet, 48 percent of the grants awarded by ASTF have been for development.

According to Legislative Audit the ASTF exceeded their authority in making grants to teachers. Through March 18, 1994, ASTF had awarded 77 teacher grants for a

total of \$338,420. However, very few of these grants funded true original research. These grants have ranged from field trips and science clubs to classroom studies of the Alaska Permanent Fund and a project that is described as "an imaginary lepton in a far galaxy."

Further, ASTF has awarded 'research' grants for the following: a full-body Shower System (\$17,529), Perm Applicator (\$16,282), Beekeeping (\$105,563), and a conference at UAA (\$20,000). It also appears that ASTF has granted funding to pay for manufacturing costs and specific training, such as wild berry production.

Is the Alaska Science and Technology Fund stimulating innovation in Alaska?

Alaska Science and Technology Foundation

Primary Grantee	Total Awards
Alaskan Grantee	\$7,437,618
University of Alaska	4,445,833
Out of State Grantees	1,891,772
Government Agencies	448,408
Teachers	338,420

Source: Legislative Audit #04-4481-94

Money Watch is published quarterly by Common Sense For Alaska
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The State's fiscal gap — It's real!

As the fiscal gap grows, it could cost your family thousands of dollars per year in taxes, just to pay for state government. Common Sense doesn't think that's what Alaskans want.

Common Sense believes we have to do something...and we have to do it now.

Please join us today! The taxes you save may be your own.

NAME _____

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How to send a free public opinion message (POM)...

Public opinion messages are a way for your voice to be speak out in Juneau. Messages cannot exceed 50 words. They must include your name, address, telephone number, and the names of the receiving legislators. These brief messages may be sent from individual members of the public to any or all state Representatives and/or Senators via the state's computer system. To send a POM, call any of the Legislative Information Offices listed here.



Anchorage	258-8111
Barrow	852-7111
Bethel	543-3541
Fairbanks	452-4448
Juneau	465-4648
Kenai Peninsula	262-9364
Ketchikan	225-9675
Kodiak	486-8116
Kotzebue	442-3880
Matanuska-Susitna	376-3704
Nome	747-6276
Sitka	747-6273

WHO WAS MOLLY HOOTCH?

In 1975, Molly Hootch was a rural Alaskan, who wanted a high school education in her home village. Along with Molly Hootch, 27 other high school aged Alaskans joined in the suit against the Alaska State Operated School system, to compel the State of Alaska to provide a high school education in plaintiffs' home communities. At the time of the suit there were no public high schools in Molly Hootch's or the other plaintiffs' rural western Alaska villages.



This case ended in a settlement, which stated that any community with 8 or more secondary age school children had a right to be educated in their home community.

In the following years approximately \$400 million was spent through the School Construction Fund to replace and/or build elementary and secondary schools in rural Alaska. The last high school constructed with these funds was in Oscarville, it had an enrollment of 1 student its first year of operation. Now, 19 years after the court case, these schools are in need of repair and will cost millions to maintain in the future.

Today, Alaska would not be facing these costs if the state had planned ahead. In 1975, the court realized the tremendous cost involved and stated the following: "...the conclusion that a massive school construction program is required may be at variance with the facts. The Small Secondary School Administrative Manual indicates that...in many instances, no special or additional school facilities will be required to provide a secondary program at the community level. Existing elementary schools usually can house additional pupils (secondary pupils) who desire to continue their education in their home communities."

Each aspect of the budget must be scrutinized as the fiscal gap grows. The Department of Education consumes over one third of the budget for the State of Alaska. Clearly, Alaska needs to look at all available alternatives as we begin to plan for the future.

Source: Hootch v. Alaska State-Operated School System, Supreme Court Alaska, May 23, 1975

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MONEY WATCH

Common Sense For Alaska

State cabin give-away?

Alaska Sports Fish Division has built a cabin at State expense on land owned by one of its employees in a prime fishing area. The cabin is being given to the employee. In return, the employee has "orally agreed" to give the State "priority use" between April and mid-November so other division employees can fly out there to use the cabin for a "salmon research project." The cabin cost the State approximately \$9,800 plus transportation of the construction materials to the site. No written land lease has been executed.

The importance of the "salmon project" and the number of years of its likely duration are currently unknown.



The Commissioner of Fish and Game has admitted "Public perception of this transaction could be less than favorable."

There are policies in place as to the procedure to be followed for the State to lease things from others. Six privately owned cabins already exist in the area which State officials have acknowledge

Continued on page 3

TRAVEL MILE BONANZA

The Top 10 per diem individual recipients for the state of Alaska in Fiscal Year 1992 were:

Cliford P. Douglas	\$28,570.18
Greg E. Browning	28,150.42
Mark D. Figley	23,678.00
Jeff Elieff	21,540.00
Fred F. Zharoff	21,339.14
Pierre Boutet	20,258.00
Allan J. Culbreath	19,410.00
Ronald Larson	18,766.66
Jim Duncan	17,793.45
Larry C. Geise	17,400.00

Despite the fact that the State of Alaska pays for the airline tickets, public employees collect the frequent flyer miles and deposit them into their personal mileage account.

The federal government bans this practice, taking the view that accepting such free miles is a misappropriation of public funds.

Source: Office of Management and Budget, and General Services Administration.

How the governors stack up

Article II, Section 15 of the Alaska Constitution reads as follows, "The governor may veto bills passed by the legislature. He may, by veto, strike or reduce any appropriation bills. He shall return any vetoed bill, with a statement of his objections, to the house of origin."

This veto power is a central feature of the system of checks and balances in the constitution. It gives the governor a major role in limiting appropriations and spending.

Governor	Budget Years	Veto ¹ (1993 dollars)
Hammond	FY 1980 to 1983	\$723.0 million
Sheffield	FY 1984 to 1987	\$933.4 million
Cowper	FY 1988 to 1991	\$436.0 million
Hickel	FY 1992 to 1994	\$160.2 million
Current yr. (Hickel)	FY 1995	\$ 2.3 million ²

1. General Fund

2. Total vetoed from FY 1995 State budget, 1994 dollars

Source: Summary of Appropriations, Legislative Finance Committee 1979-1993.

...But who needs a receipt, anyway?

In March of 1994, legislative auditors examined the Oil and Hazardous Substance Release Response Fund. They found: "DEC is often put in the position of having to approve reimbursement for an expenditure for which the department has no way of determining represents a valid project cost."



As an example, the Department of Fish and Game (DFG) requested reimbursement from DEC for expenditures the DFG could not document. DEC refused. But because the only alternative left to DFG would be to request a supplemental appropriation, DEC staff was directed to pay the request.

Source: Legislative Audit Number 18-4463-94

CALENDAR OF EVENTS

Aug. 23
Primary for the general election

Aug. 23, 5:00 p.m.
Last day to file as a non-partisan
person in general election

Nov. 8
The general election



Dangers of dedicating funds

As oil revenues for the state of Alaska decline, and departmental budgets are cut, special interest groups have begun lobbying our elected officials for dedicated funds. These special interest groups support higher taxation as long as the revenue is dedicated to their special interests.

During the Alaska Constitutional Convention of 1956 delegates from around the state debated the concept of dedicating or earmarking funds while framing the Alaska Constitution. Here are four of those delegates' comments regarding earmarking funds:

BARR: "In Colorado, approximately 90% of the tax collections are earmarked. In Texas, 85%, Kansas has over 140 dedicated funds which embrace over 80% of the state revenue. If we leave this up to the legislature, to succeeding legislatures over a period of years, we will end up like poor Texas and Colorado. We won't have anything in the general fund for appropriations."

MCCUTCHEON: "The people of this assembly shouldn't overlook this fact, that the earmarking of funds is the fashion in which higher taxes are foisted upon segments of industry or the public."

HERMANN: "I can recall one occasion in our Territorial history during the war when the road fund had been built up to quite a considerable amount and it was impossible to build roads. There was no material available and no help available and that sum pyramided up to a very considerable amount while at the same time the Territory was borrowing money to meet its monthly obligations."

WHITE: "The end product of any earmarked fund is good but if the end product is good and desirable it is perfectly reasonable to assume that future legislatures will see it the same way and will appropriate sufficient funds to carry out the programs that (were then) being carried out through earmarked taxes."

Convention delegates prohibited the dedication, or 'earmarking,' of funds for specific purposes in Article IX, Section 7 of the Alaska Constitution so that the legislative branch would not tie its own hands in providing for the public needs of the day. (This Article was amended in 1976, to allow the dedication of funds to create the Permanent Fund).

State revenues are perched on the edge of a steep and steady decline.

- Do we apply a meat axe approach to cutting the bureaucracy?
- Do we initiate new taxes on Alaskans to sustain state spending at its frantic pace?
- Or do we initiate reasonable spending cuts now to avoid imposing new burdens on Alaska's citizens?

If you have an idea for Common Sense For Alaska Newsletter, contact Kym Swift at (907) 276-7648

Cabin give-away?

Continued from page 1

would be suitable for the "project;" however, none of the other cabin owners were contacted by the State to determine their willingness or price for leasing such cabins. No determination was undertaken concerning market value of the land or cabin at issue. Consequently, it is impossible to determine whether the State's needs are being met at the lowest available price. If the Ombudsman's office had not received a complaint from an irate citizen regarding these activities and expenditures, their occurrence likely would not have been made public.

In addition to working for the Alaska Department of Fish and Game, the cabin recipient is also a licensed guide in Southeast Alaska. State officials concluded the employee did not violate the Alaska Executive Branch Ethics Act (AS 39.52) because he did not attempt to "influence" the decisions to build the cabin on his property.

Source: Ombudsman, State of Alaska and CSA members of Southeast Alaska.

"Public perception of this transaction could be less than favorable."

Commissioner of Fish and Game

Who's running anyway?

The best voter is an informed voter. To find out who is running in your district call one of the following Legislative Information offices:

Anchorage.....	258-8111	Ketchikan	225-9675
Barrow	852-7111	Kodiak	486-8116
Bethel	543-3541	Kotzebue	442-3880
Fairbanks	452-4448	Matanuska-Susitna .	376-3704
Juneau	465-4648	Nome	443-5555
Kenai Peninsula	262-9364	Sitka	747-6276

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The friendly skies

A recent State Audit found that more than two-thirds of all travel documents sampled in conjunction with state travel reflected violations of administrative requirements. Since the State spends about \$36 million annually on travel, including per diem (re-

imbursement for meals and housing) it appears that the problem is a significant one.



Forty-three percent of all travel forms sampled for the two year period of the audit lacked proper authorization. Most such authorizations were approved after the fact, rather than before travel as required. Duplicate meal payments of over \$2,000 were uncovered. Over \$18,000 of questioned per diem payments were made to those who stayed at home rather than a hotel. The audit further concluded that travel policies are not clear and are inconsistently applied.

Source: Travel-Related Costs Audit: FY 1991 and FY 1992, Division of Audit and Management Services

HAZARDOUS BUDGET DUTY

The Hazardous Waste Management Program (HWM) in FY 94 has not met its statutory obligations due to unrelated charges assessed against the program.



The HWM program is organizationally located within the Department of Environmental Conservation (DEC). HWM's primary activity is to conduct inspections, monitoring, and providing assistance to the public for the management and disposal of hazardous wastes. Between July 1, 1990 and June 30, 1993 state inspectors assessed more than \$5.3 million in penalties.

According to an October, 1993 audit by the Office of Management and Budget, a number of DEC "activities had been intentionally excluded from the governor's final budget proposal in order for DEC to reach its 'spending target'. Despite having been deleted during the budget consideration process, these programs and activities were again made part of DEC's FY 93 efforts — and were charged to the HWM program."

Due to the unrelated charges assessed against the HWM program, it had no funding to meet its statutory obligations in FY 94.

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Alaska State Legislature



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Phone: (907) 465-3991
Fax: (907) 463-3351

May 4, 1995

MEMORANDUM

TO: Representative Kay Brown

FROM: Gordon S. Harrison, Director 

RE: **Comparative Patterns of State Spending**
Research Request 95.195

You asked us to compare spending patterns by Alaska state government with spending patterns in the other states. We presume from the material accompanying this request that you are interested in examining the hypothesis that the State of Alaska devotes an inordinately generous proportion of its resources to activities and services that are not provided in the other states and a comparatively paltry proportion of its resources to the basic services such as education, welfare, and prisons that dominate the budgets of the other states.

On the one hand, statistical data compiled by the U.S. Census Bureau seem to support this hypothesis, as they show that as a percentage of total annual spending, our outlays in several of the basic service categories are comparatively low, and our outlays in the "other" category are comparatively large. On the other hand, the data also show that, on a per capita basis, Alaska devotes far more resources to basic services than the national average, and often more than any of the other 49 states, despite our substantial expenditures on extraneous items. In addition, a close examination of the statistical data reveals that the "other" category is composed mostly of expenditures by Alaska's public corporations. With the exception of permanent fund dividends, this money is not available for discretionary appropriation by the legislature, and including it in the statistical base tends to understate our allocation of general fund spending for basic services. These and other factors discussed in this memorandum complicate greatly the comparative analysis of spending in the 50 states. Nonetheless, we believe that the data *do not* support the conclusion that Alaska stints the basic services of state government.

The narrative below begins with a discussion of the statistical data on state government finances compiled by the U.S. Bureau of the Census. Then it considers the importance of differences among states when comparing spending habits. Finally, it presents data that compare state government spending in Alaska with the U.S. average and with state spending in Hawaii.

U.S. Bureau of the Census Annual Survey of State Government Finances

The only source of comprehensive statistics on state government spending in the United States is the U.S. Census Bureau, which conducts an annual survey of state and local government finances. All multi-state comparisons of government spending use this data. While it might be feasible for analysts in one state to compare their state government spending with the spending of a neighboring state using their own format, definitions, accounting methods, and categories, it would not be feasible to broaden the scope of that comparison by much, and certainly not to all 50 states. The institutional arrangements, the allocation of services among state agencies and between levels of government, and the budgeting conventions and financial reporting of the 50 states vary so enormously and mysteriously that the task of comparing spending among them is beyond the resources of any organization except perhaps the federal government. Indeed, it is not clear that the comparative analysis produced by the U.S. Census Bureau is useful for making any but the most general assessments of spending priorities in the various states.

Census Bureau data on state government revenue and expenditures are presented in a series of publications titled *State Government Finances*. This series lags by several years. The last "hard copy" edition is for FY 92. Subsequent editions and all future editions are available only in electronic format from the Internet. The data appear in somewhat different formats in publications such as *Book of the States*, by the Council of State Governments, and *Significant Features of Fiscal Federalism*, by the U.S. Advisory Council on Intergovernmental Relations. Attached to this memorandum are a copy of Table 11 from the federal *State Government Finances: 1992*, and a condensed presentation of the data from the *Book of the States, 1994-95*. Because the latter is simplified and widely available, we have used it to prepare the table in this memorandum.

People familiar with Alaska's annual budgets--that is, with our annual *appropriations*--will recognize few of the numbers in the data series. This is because the data series records *expenditures* rather than appropriations. Thus, for example, capital expenditures recorded for a particular year may have been appropriated several years earlier. Furthermore, the data includes major expenditures that are "off budget"--that is, expenditures that are not considered to represent withdrawals from the general fund. For FY 92, these include interest expense of revenue bonds issued by the Alaska Housing Finance Corporation (\$287.3 million), the Alaska Industrial Development and Export Authority (\$99.7 million), the Student Loan Corporation (\$11.3 million), the Alaska Municipal Bond Bank (\$9.1 million), as well as the operating expenses of the Alaska Railroad Corporation (\$57.8 million). Also, the FY 92 Census Bureau expenditure data include the permanent fund dividends (\$496.3 million), but not the deposit of permanent fund income to the principal of the fund (inflation proofing) or to the reserve account. Although the use of permanent fund income is fully discretionary--that is, the money may be appropriated for any purpose--these expenditures are not treated in Alaska as general fund expenditures. It is noteworthy that the items identified above--interest payments on revenue bonds, the operating expense of the Alaska Railroad, and the permanent fund dividend, which amounted to \$961.5

Representative Brown
May 4, 1995
Page 3

million in FY 92--are all items that fall within the Census Bureau's category of "miscellaneous, not otherwise classified." As a result of this inflation of our total expenditure figure, our expenditures in categories such as education are depressed when shown as a percentage of total spending.

There are doubtless many such peculiarities of the data series that conceal, distort, or otherwise misinterpret spending patterns in the states. Another one that we are aware of in the Alaska data concerns our municipal assistance and revenue sharing programs. These are the primary programs the state has used to support a number of local government services, including hospitals.¹ However, because the grant money may be used for any purpose by the recipient (actually in the case of hospitals and health services it must be used for these purposes), the Census Bureau does not allocate it to functional categories. Consequently, the data show less support for hospitals by the state government than they would if we had a more direct distribution scheme for money targeted to support local hospitals.

But when attempting to compare one state's spending with others', we must consider more than the methodology of the statisticians: we must also consider differences among the states.

Differences Among States and State Spending Patterns

States differ widely with regard to many characteristics that affect their public spending, and these differences must be accounted for when seeking to discern whether one state has a stronger fiscal commitment to certain services than does another. For example, states differ in how they allocate governmental authority and fiscal responsibility for certain public services between the state and local level; they differ with respect to demographic characteristics; they differ in the cost of providing services; and they differ in endowment of natural resources.

State governments traditionally provide and pay for certain services, and local governments traditionally provide and pay for others. However, some services are often provided and paid for in some measure by *both* levels of government. In the case of these shared responsibilities, the mix of state and local funding varies considerably, and what is a shared responsibility in one state may not be in another. For this reason, a thorough comparison of state spending in certain areas must include expenditures by both the state *and* local government. (This memorandum concerns state spending only.) Schools are the most notable of these shared services. In all states except Hawaii and Alaska, education is provided by local school districts with state governments supplementing local funding through a revenue sharing "foundation program." In Hawaii, the state government directly operates and funds a statewide K-12 school system. In Alaska, we directly

¹The state revenue sharing program (AS 29.60.120) includes a grant of \$250,000 to each community with a hospital with 10 or more beds, or \$50,000 to each community with a hospital of fewer than 10 beds.

and fully fund the Rural Education Attendance Area schools, and support the municipal school districts through the foundation program and other grants.

Court systems are another shared responsibility in most states. Thus, most states have, in addition to state courts, a system of municipal courts with jurisdiction over violations of city and county ordinances and certain other matters. Alaska is one of a few states with a statewide, unified court system (violations of local law are prosecuted in state courts here). Therefore, Alaska state expenditures in the area of justice will be relatively higher than in states with local court systems, but our total state *and* local spending in this area may or may not be relatively higher than these other states.²

Demographic differences are also pertinent to interstate comparisons of spending patterns because they create different levels of *demand* for various public services. States with a high level of poverty can be expected to spend more on welfare than states without much poverty. Likewise, states with a large proportion of their population of school age can be expected to spend relatively more for education than states with a low proportion of young people; and states with a high crime rate should spend more for police and corrections. Because of demographic differences, equality of spending may not equate to equality of service. Although two states may devote the same percentage of their total spending to education, welfare, or corrections, they may be providing quite different levels of service if the target population is substantially larger in one than the other.

Equality of spending also fails to mean equality of service if there are substantial differences among states in the cost of doing business. That is, two states spending the same amount of money on a public service may be providing quite different levels of service if costs are significantly lower in one than the other. Generally speaking, costs of governmental services are more expensive in the urban, industrial northeast than in the rural south. Alaska is also a high-cost state, and this must be borne in mind when comparing our expenditures with similar expenditures by other state governments. Cost-of-living indices show that different urban areas in Alaska are from 1.1 to 1.6 times more expensive than the U.S. urban average.³

That different circumstances give rise to different demands for state services is seen clearly in the case of natural resources. Alaska spends proportionally more money managing natural resources than other states because it has vastly more natural resources to manage. Here, national norms are of little value in assessing the appropriate level of state spending in Alaska. No one would

²The same is true of corrections in Alaska: we have a unified, state-operated system of jails and prisons, in contrast to many other states that require city and county governments to provide and pay for local jails.

³John Boucher, "Measuring Alaska's Cost of Living," *Alaska Economic Trends* (published by the Alaska Department of Labor), June 1994.

seriously argue that Alaska should slash spending on natural resource management simply to bring the state into line with the national average of spending in this area.⁴

State Spending: U.S. Average, Hawaii, and Alaska

The accompanying table shows, for the 50 states, Hawaii, and Alaska, state spending in 11 categories. State spending is expressed as a percentage of total spending and as a dollar amount per state resident. Hawaii is included because it is the only other state that has such a large percentage of its spending fall in the "other" category. The data is derived from the *Book of the States, 1994-95*. The categories are condensed from categories used by the Census Bureau in compiling the data.

Clearly, Alaska's comparative standing depends on the measure of spending: as a percentage of total spending, Alaska is below the national average in a number of categories, including education (this category includes postsecondary education), public welfare, hospitals, and corrections. However, in terms of dollar spent per capita, we exceed the national averages in all categories except hospitals. Which is the better measure? Spending per capita seems the more reasonable of the two, in view of the fact that Alaska is relatively more wealthy than the other states.⁵ The average middle class family spends a much higher proportion of its income on housing than do the richest families, yet the richest families live in mansions. One cannot reasonably argue that the rich are not as committed to their domestic comfort as the middle class because they devote a smaller proportion of their income to housing.

Accordingly, one cannot argue that Alaska, with its high per capita spending levels, is insufficiently committed to educating its young or housing its criminals because our expenditures on these items is below the national average. The table shows that education accounted for 25.1 percent of Alaska's annual spending in FY 92, in contrast to the U.S. average of 34.6 percent, and 27.4 percent of state spending in Hawaii. However, we spent \$2,184 per resident of the state (not per

⁴Studies have attempted to compare state spending and account for the different circumstances of the states. One such study is by Herman B. Leonard, *By Choice or By Chance; Tracking the Values in Massachusetts' Public Spending* (Boston: Pioneer Institute for Public Policy Research, 1992). Footnote 6 on page 14 of this study says: "Alaska was excluded from all analysis and comparisons that follow because its spending patterns and circumstances are so radically different from those of other states." See also, Steven D. Gold, "A New Way to Compare State Spending," *State Legislatures*, May/June, 1989.

⁵Remember that our "wealth," represented in the table as an expenditure of state money of \$8,707 per capita, or 3.6 times the national average, is inflated by the inclusion of permanent fund dividends and interest payments on revenue bonds by our public corporations.

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student) on education, or 2.6 times the national average, and almost twice as much as Hawaii. Indeed, when compared to Hawaii, where the school system is entirely a state-operated affair, education receives even more money in Alaska when local expenditures are counted.

The comparatively high per capita expenditures in Alaska are muted, of course, by the cost-of-living differential here. This cost-of-living differential is further magnified by the economic inefficiencies of delivering services such as education to far-flung, sparsely populated, rural sites. We have not attempted to factor these cost considerations, or Alaska's demographic characteristics, into a grand, multi-dimensional comparative analysis of Alaska's spending, largely because we see no rigorous methodology for doing so.⁶ In the final analysis, the Census Bureau data are ambiguous and largely inconclusive. While they do not allow Alaska's rank to be easily determined, neither do they offer much support to the notion that Alaska neglects the basic state services (as defined by the Census Bureau categories). An exception may be in the area of hospitals, which shows spending below the national average as a percent of total spending and on a per capita basis. But as suggested above, the cause of our poor showing here may be the peculiarities of the state revenue sharing mechanism rather than a genuinely penurious legislature.

I regret that sharper conclusions do not emerge from the statistical data, but I hope that this information is useful nonetheless.

Attachments

⁶Nor have we removed the uncategorized non-general fund items that so inflate Alaska's expenditure total, because we would also have to remove these items from the other states' totals to make consistent comparisons.

State Expenditures, by Function, FY 92 As a Percent of Total and Per Capita; All States, Hawaii, and Alaska

Category	All States			Hawaii			Alaska		
	Percent	Dollars Per Capita		Percent	Dollars Per Capita		Percent	Dollars Per Capita	Multiple of Per Capita National Average
Education	34.6%	\$831		27.4%	\$1,213		25.1%	\$2,184	2.6
Public Welfare	25.6%	\$614		12.2%	\$540		10.6%	\$923	1.5
Highways	7.8%	\$192		7.3%	\$324		11.4%	\$995	5.2
Hospitals	4.3%	\$103		3.8%	\$166		0.7%	\$63	0.6
Natural Resources	1.7%	\$41		2.5%	\$110		4.9%	\$430	10.5
Health	3.6%	\$86		4.6%	\$204		3.6%	\$311	3.6
Corrections	3.3%	\$79		2.1%	\$94		2.8%	\$247	3.1
Financial Administration	1.6%	\$38		1.6%	\$71		2.3%	\$199	5.2
Employment Security Administration	0.6%	\$15		0.2%	\$11		0.6%	\$51	3.4
Police	0.9%	\$22		0.2%	\$8		1.1%	\$95	4.3
Other	15.9%	\$383		38.1%	\$1,684		36.9%	\$3,209	8.4
	99.9%	\$2,404		100.0%	\$4,425		100.0%	\$8,707	3.6

Source: *Book of the States, 1994-95*, Table 6.16, pp. 352-353 (from U.S. Census Bureau data).

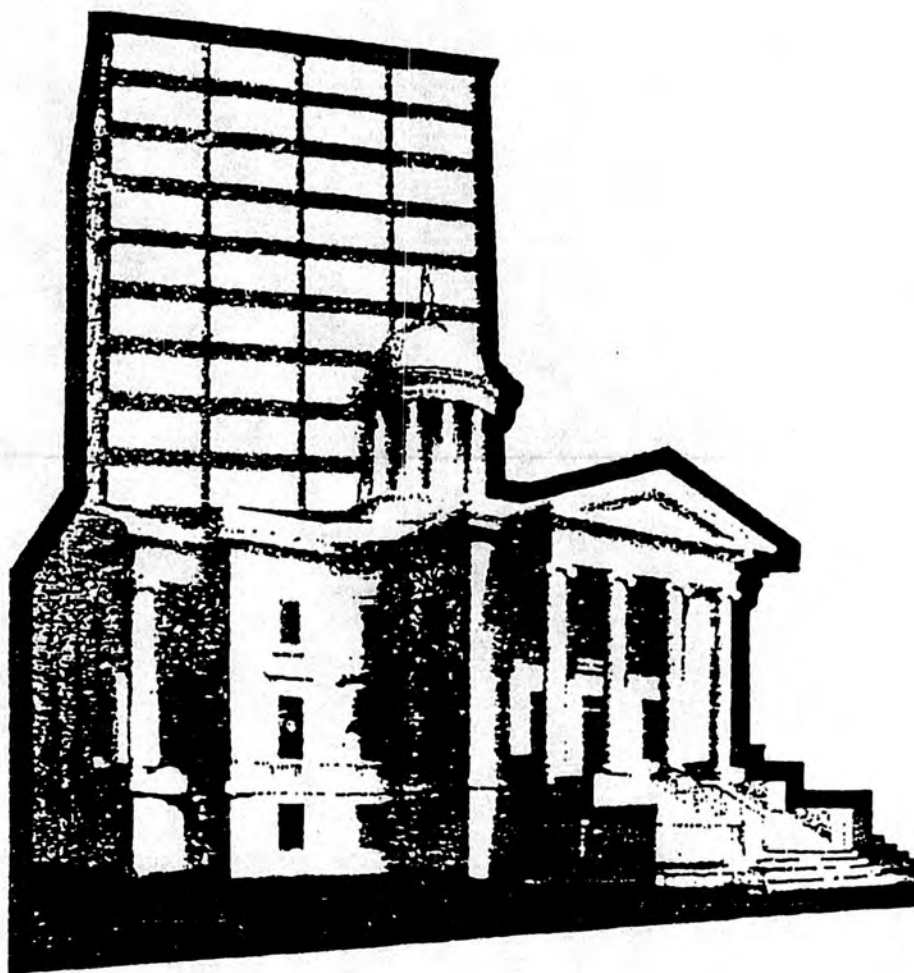
ATTACHMENT A

**"State Government Finances", *Government Finances*, Bureau of the Census,
U.S. Department of Commerce**

GF/92-3

GOVERNMENT FINANCES

State Government Finances: 1992



U.S. Department of Commerce
Economics and Statistics Administration
BUREAU OF THE CENSUS

Table 11. State Government General Expenditure by Function and State: 1992

(Thousand dollars. For meaning of abbreviations and symbols, see introductory text. Detail may not add to total because of rounding. See appendix B for explanatory notes)

State	Educational services						Social services and income maintenance			
	Total	Intergovernmental	Direct	Education ¹			Libraries	Public welfare ²		
				Total	Intergovernmental	Direct		Total	Intergovernmental	Direct
	1	2	3	4	5	6	7	8	9	10
United States	611 921 919	201 313 434	410 608 485	211 568 798	124 919 686	86 650 112	683 880	158 363 573	29 511 964	126 851 605
Alabama	8 786 293	2 143 312	6 644 981	3 570 524	1 899 130	1 871 394	8 122	1 853 436	10 079	1 843 357
Alaska	4 788 127	1 048 860	3 739 267	1 200 980	622 581	575 109	6 254	507 655	100 635	407 020
Arizona	8 235 841	2 998 879	5 236 962	2 929 886	1 663 978	1 265 910	6 325	1 811 875	227 926	1 583 949
Arkansas	5 061 654	1 465 060	3 596 594	2 122 905	1 160 554	962 351	5 789	1 176 619	634	1 175 985
California	63 360 138	39 402 316	43 957 822	28 284 998	19 042 747	9 242 251	49 432	25 247 530	13 597 738	11 649 792
Colorado	6 493 768	1 969 365	4 524 403	2 709 235	1 219 986	1 489 249	5 836	1 437 575	349 956	1 087 619
Connecticut	9 957 439	2 090 932	7 866 507	2 508 350	1 587 068	939 282	11 737	2 434 040	194 928	2 239 112
Delaware	2 241 388	390 542	1 850 846	789 489	321 913	467 576	2 505	291 748	796	290 950
Florida	24 851 056	8 405 400	16 445 656	8 814 361	6 176 792	2 837 569	29 682	5 333 949	185 515	5 148 434
Georgia	12 781 046	3 723 502	9 057 544	5 184 281	3 319 732	1 864 529	19 064	3 313 204	-	3 313 204
Hawaii	4 902 626	127 640	4 774 986	1 344 015	-	1 344 015	36 784	597 925	10 513	587 412
Idaho	2 315 712	780 742	1 534 970	986 673	605 959	380 714	2 744	352 315	-	352 315
Illinois	23 639 362	8 706 663	16 932 699	7 295 006	4 249 510	3 045 399	56 527	6 281 356	354 601	5 926 755
Indiana	11 691 370	3 677 893	8 013 477	4 652 781	2 190 681	2 462 080	7 383	2 621 020	300 366	2 320 654
Iowa	6 711 337	2 160 539	4 550 798	2 649 163	1 543 803	1 105 383	5 425	1 305 649	40 521	1 265 126
Kansas	5 051 751	1 440 836	3 610 915	2 197 864	1 103 697	1 094 167	4 190	890 373	15 123	875 250
Kentucky	9 235 218	2 392 289	6 842 929	3 572 415	2 018 296	1 554 117	11 967	2 262 835	7 085	2 255 750
Louisiana	10 682 706	2 834 974	8 047 732	3 487 009	2 175 623	1 311 386	3 571	2 544 821	49 738	2 495 083
Maine	3 231 655	711 798	2 519 857	1 010 112	588 415	421 697	3 073	1 003 035	24 089	978 946
Maryland	11 011 767	2 558 591	8 453 176	3 448 754	1 743 746	1 705 008	27 089	2 677 218	102	2 677 116
Massachusetts	17 811 534	4 047 945	13 763 589	3 271 297	1 739 212	1 532 085	23 182	5 302 997	308 523	4 994 474
Michigan	21 839 865	6 970 998	14 868 867	7 415 632	3 855 645	3 559 987	26 290	5 574 552	299 561	5 274 991
Minnesota	12 321 541	4 733 385	7 588 156	4 556 323	2 739 782	1 816 561	6 604	3 022 239	531 511	2 490 728
Mississippi	5 216 887	1 785 089	3 431 798	1 993 169	1 244 088	749 077	5 495	1 210 496	63 103	1 147 393
Missouri	9 513 043	2 773 013	6 740 030	3 529 312	2 293 534	1 235 777	4 056	2 516 484	15 511	2 500 973
Montana	2 107 991	610 277	1 497 714	770 502	457 707	312 795	2 506	330 833	4 915	328 918
Nebraska	3 535 292	1 047 544	2 487 748	1 258 948	622 890	636 050	3 648	708 022	7 147	698 875
Nevada	2 952 987	1 107 607	1 845 380	1 113 095	702 836	410 459	13 457	443 175	7 977	441 198
New Hampshire	2 452 806	293 668	2 159 140	467 794	149 802	317 992	2 531	937 208	54 238	882 970
New Jersey	24 109 299	7 559 234	16 550 065	7 017 992	4 549 082	2 468 810	19 457	6 048 477	1 269 653	4 778 824
New Mexico	4 593 580	1 619 075	2 974 505	1 919 305	1 156 037	763 268	2 999	710 830	-	710 830
New York	60 869 111	24 711 442	36 157 669	17 972 006	12 893 270	5 078 736	93 067	20 307 423	7 517 628	12 789 795
North Carolina	14 671 144	5 523 219	9 147 925	6 312 907	4 028 979	2 283 928	17 064	2 948 994	368 591	2 580 403
North Dakota	1 833 674	402 727	1 430 947	665 148	271 626	413 522	1 850	338 256	955	337 301
Ohio	24 106 118	7 999 399	16 106 719	8 489 030	4 633 832	3 855 198	12 824	6 493 661	935 071	5 558 590
Oklahoma	7 062 982	2 168 336	4 896 646	3 028 061	1 781 073	1 244 988	6 522	1 539 537	55 053	1 484 484
Oregon	6 841 896	1 813 334	5 028 562	1 935 358	982 966	952 392	3 695	1 326 612	-	1 326 612
Pennsylvania	30 338 335	8 816 122	21 522 213	9 973 242	5 041 164	4 932 078	32 079	9 599 604	1 392 088	8 207 516
Rhode Island	3 331 245	500 667	2 830 578	813 449	421 079	392 370	5 448	771 274	47 477	723 797
South Carolina	7 968 584	2 031 830	5 936 754	3 070 613	1 587 925	1 482 688	7 516	1 617 605	9 779	1 608 026
South Dakota	1 489 533	280 445	1 209 088	430 517	210 382	220 135	3 025	290 455	628	289 827
Tennessee	9 632 969	2 288 949	7 344 020	3 100 593	1 312 052	1 788 541	11 119	2 816 658	271 361	2 545 297
Texas	30 743 796	9 365 415	21 378 381	13 283 188	8 173 982	5 109 226	17 871	7 410 273	219 593	7 190 680
Utah	4 057 498	1 140 214	2 917 284	1 950 521	988 214	964 307	5 000	667 567	3 258	664 299
Vermont	1 690 440	303 258	1 387 182	562 724	236 073	326 651	2 127	380 804	11 087	369 717
Virginia	12 694 076	3 489 912	9 204 164	4 930 787	2 466 610	2 464 157	19 493	2 094 146	271 647	1 822 499
Washington	14 724 379	4 578 587	10 145 792	6 224 137	3 642 990	2 581 447	8 620	2 809 043	47 253	2 761 790
West Virginia	4 395 674	1 149 496	3 246 178	1 753 193	1 085 976	667 217	9 169	1 094 068	-	1 094 068
Wisconsin	12 258 080	4 845 330	7 412 750	4 191 273	2 235 148	1 956 125	10 479	2 809 436	325 222	2 484 214
Wyoming	1 725 394	650 384	1 075 010	595 016	400 659	194 357	1 434	191 468	2 785	188 613

See footnotes at end of table.

Table 11. State Government General Expenditure by Function and State: 1992—Con.

(Thousand dollars. For meaning of abbreviations and symbols, see introductory text. Detail may not add to total because of rounding. See appendix B for explanatory notes)

State	Social services and income maintenance—Con.						Transportation		
	Hospitals ¹	Health	Employment security administration	Veterans' services			Highways ¹		
				Total	Veterans' bonuses	Other	Total	Intergov- ernmental	Direct
	11	12	13	14	15	16	17	18	19
United States	26 125 186	21 998 367	3 702 371	170 014	1 932	166 082	46 746 992	8 480 671	40 266 121
Alabama	780 815	394 119	83 001	5 874	-	5 874	694 874	148 290	546 584
Alaska	34 411	170 885	27 800	400	-	400	547 182	33 245	513 917
Arizona	70 853	360 340	39 638	1 228	-	1 228	954 360	322 964	631 396
Arkansas	180 485	179 381	35 618	2 380	-	2 380	978 835	121 983	454 652
California	2 609 358	2 549 728	413 145	21 087	-	21 087	4 374 948	1 187 671	3 187 277
Colorado	166 544	206 028	54 350	-	-	-	652 462	166 869	463 593
Connecticut	755 195	303 026	78 031	-	-	-	822 768	30 331	792 437
Delaware	43 470	120 462	8 528	162	-	162	233 778	4 766	229 012
Florida	507 514	1 416 490	46 874	5 793	-	5 793	2 175 460	165 716	2 009 744
Georgia	531 163	494 102	100 635	4 331	-	4 331	875 483	11 774	863 709
Hawaii	183 868	226 619	11 864	8 527	-	8 527	358 249	-	358 249
Idaho	32 677	51 743	13 820	875	-	875	290 829	74 892	215 737
Illinois	668 792	935 684	212 024	7 992	19	7 973	2 481 626	438 823	2 022 803
Indiana	519 914	333 319	58 357	449	-	449	1 078 475	341 751	736 724
Iowa	473 312	116 473	46 741	-	-	-	948 347	266 126	682 221
Kansas	290 204	148 918	20 482	1 519	-	1 519	648 159	113 182	535 977
Kentucky	290 631	303 176	42 236	1 374	-	1 374	933 960	90 727	843 233
Louisiana	729 533	342 706	63 955	5 646	-	5 646	879 977	41 548	838 429
Maine	63 164	104 129	26 737	1 054	-	1 054	272 669	19 754	252 915
Maryland	336 625	571 483	30 555	2 440	-	2 440	971 632	281 024	690 608
Massachusetts	781 637	792 392	98 769	3 662	19	3 643	1 020 838	102 112	918 724
Michigan	1 104 211	1 343 071	183 048	808	-	808	1 482 396	727 331	755 065
Minnesota	542 849	392 684	82 843	2 223	-	2 223	1 043 000	323 519	719 481
Mississippi	241 778	153 976	41 358	3 371	-	3 371	538 749	80 602	458 147
Missouri	368 183	303 158	71 451	1 699	-	1 699	558 218	170 305	387 913
Montana	38 447	84 636	8 841	562	-	562	283 277	14 021	269 256
Nebraska	225 982	143 469	23 123	1 317	-	1 317	442 543	109 535	333 008
Nevada	50 256	55 698	25 348	676	-	676	295 087	47 766	254 301
New Hampshire	37 370	101 077	19 201	189	-	189	192 968	21 294	171 674
New Jersey	921 095	474 648	93 981	3 360	-	3 360	1 835 212	168	1 835 044
New Mexico	233 171	181 599	45 679	1 097	-	1 097	383 802	14 976	368 826
New York	3 377 503	1 978 690	363 645	7 871	-	7 871	2 478 453	83 069	2 395 384
North Carolina	640 018	513 856	66 693	2 663	-	2 663	1 448 093	138 085	1 310 008
North Dakota	55 509	39 384	7 029	353	-	353	228 278	42 273	186 005
Ohio	1 142 110	738 828	168 990	609	-	609	2 286 803	761 250	1 525 553
Oklahoma	333 028	262 327	45 358	-	-	-	815 685	174 540	641 145
Oregon	362 678	290 155	43 918	31 353	-	31 353	672 363	289 115	383 248
Pennsylvania	1 406 827	993 153	156 024	1 893	1 893	-	2 191 425	311 140	1 880 285
Rhode Island	104 603	146 258	28 236	1	1	-	181 412	-	181 412
South Carolina	564 637	402 620	54 757	630	-	630	530 144	1 260	528 884
South Dakota	42 331	45 020	14 174	705	-	705	210 619	15 192	195 427
Tennessee	417 108	318 768	69 206	1 861	-	1 861	1 124 464	250 789	863 695
Texas	1 581 840	894 568	238 138	9 758	-	9 758	2 472 785	8 286	2 464 499
Utah	232 405	110 084	33 748	78	-	78	324 258	49 509	274 749
Vermont	22 337	42 225	9 365	81	-	81	176 313	21 505	154 808
Virginia	958 503	464 732	78 057	9 960	-	9 960	1 521 447	154 384	1 367 063
Washington	499 173	763 019	106 624	3 430	-	3 430	1 154 322	288 632	865 690
West Virginia	89 277	107 815	24 510	867	-	867	510 002	-	510 002
Wisconsin	392 025	439 166	58 484	8 005	-	8 005	853 627	365 310	488 317
Wyoming	38 549	52 490	11 756	-	-	-	325 758	38 467	287 291

See footnotes at end of table.

Table 11. State Government General Expenditure by Function and State: 1992—Con.

(Thousand dollars. For meaning of abbreviations and symbols, see introductory text. Detail may not add to total because of rounding. See appendix B for explanatory notes)

State	Transportation—Con.				Public safety			
	Air transportation (airports)	Water transport and terminals	Transit subsidies	Police protection	Correction ¹			Protective inspection and regulation, n.e.c.
					Total	Intergovernmental	Direct	
	20	21	22	23	24	25	26	27
United States.....	1 386 913	531 053	3 782 899	5 488 853	20 119 779	1 688 593	18 431 186	4 173 238
Alabama.....	1 259	43 511	-	77 789	182 698	4 103	178 595	28 507
Alaska.....	95 401	3 907	-	52 292	135 804	4 900	130 904	31 214
Arizona.....	18 179	-	-	111 084	343 958	29 461	314 497	55 686
Arkansas.....	2 267	-	-	38 512	105 591	2 422	103 169	35 855
California.....	7 472	-	374 993	884 794	3 226 256	325 954	2 900 302	925 459
Colorado.....	-	-	-	47 853	265 445	3 787	261 678	46 621
Connecticut.....	25 571	986	60 222	79 616	420 815	-	420 815	46 323
Delaware.....	-	-	15 811	37 735	109 140	-	109 140	21 605
Florida.....	34 296	4 078	68 380	224 694	1 038 811	-	1 038 811	213 850
Georgia.....	3 782	52 106	8 017	101 449	601 073	21 739	579 334	50 236
Hawaii.....	442 618	39 624	-	8 503	104 655	-	104 655	21 184
Idaho.....	1 068	-	-	28 782	57 871	4 907	52 764	29 603
Illinois.....	120 570	-	221 472	232 584	625 412	32 530	592 882	147 301
Indiana.....	1 399	5 036	20 272	90 726	321 025	19 750	301 275	31 740
Iowa.....	2 821	-	8 808	44 335	186 751	31 731	135 020	25 508
Kansas.....	-	-	-	34 108	189 460	10 357	179 103	31 569
Kentucky.....	46 239	-	-	105 438	209 874	28 800	181 074	62 283
Louisiana.....	2 746	91 629	-	119 440	275 992	41 546	234 446	22 869
Maine.....	1 307	3 540	-	25 893	67 339	-	67 339	24 398
Maryland.....	52 086	46 885	78 520	179 805	555 635	10 050	545 585	66 271
Massachusetts.....	148 484	65 505	813 782	131 252	645 378	151 362	494 016	42 397
Michigan.....	121 034	4 822	132 510	200 115	854 828	7 820	847 008	107 562
Minnesota.....	32 485	-	35 592	94 852	193 832	30 626	163 206	97 943
Mississippi.....	91	4 111	-	36 894	87 310	2 151	85 149	45 817
Missouri.....	555	556	5 390	97 446	201 873	821	201 052	44 139
Montana.....	1 218	-	963	23 040	37 479	-	37 479	31 696
Nebraska.....	19 937	-	2 509	35 846	73 336	-	73 336	25 980
Nevada.....	-	-	-	28 513	127 967	1 167	126 800	37 230
New Hampshire.....	3 715	327	-	24 196	45 696	270	45 426	18 651
New Jersey.....	-	13 071	-	233 751	659 074	68 475	590 599	222 240
New Mexico.....	-	-	-	51 487	128 427	937	127 490	34 924
New York.....	33 706	22 835	1 373 778	300 169	2 008 174	272 285	1 735 889	337 886
North Carolina.....	16 461	21 924	-	148 812	551 411	11 028	540 383	48 108
North Dakota.....	193	-	-	8 018	16 118	37	16 081	14 179
Ohio.....	2 413	1 094	38 753	154 244	691 342	42 455	648 887	123 953
Oklahoma.....	1 450	-	-	44 241	200 789	5 077	195 712	46 339
Oregon.....	-	-	5 861	71 087	209 026	33 960	175 066	79 912
Pennsylvania.....	20 261	16 240	394 766	306 727	588 189	35 707	552 482	110 411
Rhode Island.....	17 930	2 224	25 154	23 513	101 022	-	101 022	20 508
South Carolina.....	4 276	54 931	-	81 591	217 225	-	217 225	37 861
South Dakota.....	10 075	-	-	13 524	29 928	35	29 893	8 500
Tennessee.....	15	-	19 549	65 338	380 028	52 730	317 298	46 099
Texas.....	-	1 928	5 763	215 192	1 336 280	173 668	1 162 612	205 281
Utah.....	21 257	-	-	32 865	96 951	-	96 951	18 270
Vermont.....	110	-	1 541	27 325	33 664	20	33 644	14 009
Virginia.....	14 952	29 590	84 635	258 671	579 591	166 322	413 269	97 742
Washington.....	1 584	-	132 096	152 133	544 770	-	544 770	241 541
West Virginia.....	857	-	-	23 850	36 491	-	36 491	20 321
Wisconsin.....	45 307	141	55 482	53 072	338 479	49 610	288 869	59 856
Wyoming.....	8 966	-	-	13 827	23 914	3	23 911	7 797

See footnotes at end of table.

Table 11. State Government General Expenditure by Function and State: 1992—Con.

(Thousand dollars. For meaning of abbreviations and symbols, see introductory text. Detail may not add to total because of rounding. See appendix B for explanatory notes.)

State	Environment and housing								
	Natural resources					Parks and recreation	Housing and community development	Sewerage	Solid waste management
	Total	Agriculture	Fish and game	Forestry	Other				
	28	29	30	31	32	33	34	35	36
United States	10 520 864	4 222 547	1 713 635	1 094 596	3 489 866	3 016 170	2 667 573	1 613 656	1 480 871
Alabama	151 432	90 732	14 256	24 617	21 627	9 728	3 658	-	-
Alaska	236 426	14 631	115 206	28 914	77 675	16 829	34 694	51 797	-
Arizona	148 651	97 136	27 877	1 497	22 141	22 436	3 417	-	2 744
Arkansas	117 150	69 347	23 970	12 576	11 257	32 196	2 415	2 685	-
California	1 519 328	584 593	164 962	339 900	430 173	224 461	164 774	98 541	396 214
Colorado	158 367	38 002	48 154	5 119	69 092	22 343	41 808	-	5 466
Connecticut	82 148	17 510	12 232	8 260	24 126	42 699	108 671	6 361	135 608
Delaware	28 185	3 875	3 586	841	19 861	19 959	29 667	-	42 806
Florida	840 390	301 623	60 613	38 338	439 616	97 489	72 100	73 090	49 533
Georgia	244 118	140 986	29 458	34 961	36 711	245 669	75 658	-	8 547
Hawaii	121 579	55 603	4 152	6 533	55 091	101 893	68 648	4 043	2
Idaho	100 764	36 194	33 938	15 852	14 782	15 750	4 218	13 625	560
Illinois	261 464	133 988	24 116	7 224	96 136	179 544	58 018	177 512	25 343
Indiana	135 944	74 433	26 075	7 078	26 358	26 102	43 858	20 164	7 908
Iowa	180 637	100 485	13 557	3 207	63 368	17 906	26 539	190	2 494
Kansas	125 394	67 570	17 108	-	20 716	7 999	15 656	-	-
Kentucky	236 480	110 474	19 590	8 924	97 492	105 653	28 490	-	8 386
Louisiana	237 919	109 140	31 641	9 777	67 361	91 592	27 168	-	10 122
Maine	79 694	34 478	24 395	8 477	12 346	12 193	24 990	8 696	19 305
Maryland	266 984	77 970	43 995	15 593	129 426	45 664	71 862	44 495	12 596
Massachusetts	123 079	15 240	20 973	3 404	83 462	72 214	336 301	460 508	12 842
Michigan	238 690	109 664	29 864	14	99 148	94 194	62 697	2 502	25 395
Minnesota	282 290	107 330	59 678	30 972	84 110	71 107	35 920	10 496	9 270
Mississippi	125 371	73 499	18 926	22 409	10 537	23 769	32 381	-	4
Missouri	213 410	80 621	29 458	17 366	85 763	32 012	62 353	83 076	4 095
Montana	94 666	26 438	30 344	15 933	21 951	4 720	14 696	-	-
Nebraska	107 954	79 552	15 976	-	12 426	18 239	2 037	-	-
Nevada	52 735	14 803	15 441	6 356	15 933	16 464	6 889	-	5 318
New Hampshire	32 175	5 037	10 002	1 585	15 451	15 014	13 233	25 156	6 594
New Jersey	224 852	62 197	32 052	6 648	123 955	234 075	158 069	10 215	58 696
New Mexico	79 409	41 451	19 147	2 878	15 933	29 042	3 329	17 546	-
New York	332 618	84 689	37 161	73 523	137 245	290 087	306 539	129 286	97 212
North Carolina	279 626	162 727	35 616	30 958	50 325	43 783	71 272	5 300	19 466
North Dakota	71 042	48 088	10 425	-	12 529	9 556	19 058	-	-
Ohio	241 823	114 357	24 997	8 963	93 506	57 032	91 294	119 604	23 149
Oklahoma	105 607	69 242	19 629	2 196	14 738	49 229	17 167	-	863
Oregon	216 263	73 114	63 829	59 902	19 416	21 252	57 916	254	6 667
Pennsylvania	363 354	105 091	72 794	32 442	153 027	107 563	117 547	30 976	50 116
Rhode Island	23 285	4 924	4 199	1 677	12 485	79 267	19 494	51 748	26 529
South Carolina	133 692	55 694	41 967	22 844	13 167	35 735	18 952	-	5 079
South Dakota	66 853	32 916	15 541	3 660	14 736	12 160	13 010	-	-
Tennessee	154 836	58 455	38 447	17 705	10 229	51 432	45 012	27 626	7 926
Texas	416 612	207 747	70 625	15 653	122 587	64 225	5 978	-	177 732
Utah	92 095	35 194	24 177	4 621	28 103	22 868	26 140	-	3 936
Vermont	55 682	16 220	9 267	3 359	26 616	6 745	29 550	113	12 835
Virginia	163 418	80 136	32 100	18 640	32 542	44 748	63 362	58 973	7 342
Washington	560 473	173 612	105 224	78 635	273 002	74 465	37 425	-	85 074
West Virginia	103 036	33 384	15 300	3 867	50 467	38 497	21 766	2 042	9 185
Wisconsin	236 610	93 370	39 083	26 330	77 827	39 256	18 860	76 809	28 440
Wyoming	73 852	18 585	34 072	1 922	19 273	16 709	10 621	-	27 826

See footnotes at end of table.

Table 11. State Government General Expenditure by Function and State: 1992—Con.

(Thousand dollars. For meaning of abbreviations and symbols, see introductory text. Detail may not add to total because of rounding. See appendix B for explanatory notes.)

State	Governmental administration					Interest on general debt	General expenditure, n.e.c.		
	Financial administration	Judicial and legal	Legislative	General public buildings	Other governmental administration		General local government support	Miscellaneous commercial activities	Other and unallocable
	37	38	39	40	41		43	44	45
United States.....	9 750 993	7 500 520	1 583 188	1 389 278	966 151	24 821 801	18 368 138	200 425	25 448 198
Alabama.....	111 858	129 789	14 558	7 085	10 800	280 179	101 752	-	262 477
Alaska.....	109 502	98 185	24 307	30 227	13 745	449 430	73 266	58 135	779 409
Arizona.....	181 536	72 457	17 897	13 187	17 414	186 950	807 224	-	248 514
Arkansas.....	78 817	29 865	14 448	3 201	5 384	130 287	46 427	-	138 680
California.....	1 533 237	944 254	167 509	22 922	57 442	2 457 151	2 387 811	-	4 287 294
Colorado.....	130 703	109 845	13 173	8 972	21 098	225 113	25 968	-	141 151
Connecticut.....	188 577	180 547	28 498	27 278	7 745	724 968	127 569	1 184	780 393
Delaware.....	59 071	47 242	6 380	20 705	8 344	227 957	-	-	78 831
Florida.....	430 546	449 719	83 424	60 758	40 980	740 022	1 409 682	-	591 291
Georgia.....	114 917	49 595	18 213	32 819	21 150	280 715	-	-	350 539
Hawaii.....	78 380	108 803	20 731	55 349	17 679	276 544	77 390	-	568 130
Idaho.....	38 338	25 488	5 378	4 859	3 684	98 592	67 264	4 385	74 319
Illinois.....	412 731	190 885	53 254	43 461	17 860	1 280 329	782 881	-	951 123
Indiana.....	180 005	50 112	18 571	78 649	11 791	354 703	659 668	-	333 716
Iowa.....	83 524	107 024	15 737	3 946	10 820	132 253	147 354	6 672	181 883
Kansas.....	97 030	81 693	12 719	3 545	17 610	40 906	88 485	-	102 868
Kentucky.....	182 778	143 514	23 747	408	13 510	434 180	-	-	215 648
Louisiana.....	114 135	85 859	24 542	18 676	52 226	733 312	150 566	-	368 747
Maryland.....	53 456	36 545	12 009	10 791	3 322	185 589	55 266	-	117 069
Maryland.....	220 158	208 409	23 722	30 708	25 156	471 998	109 737	2 368	434 910
Massachusetts.....	408 780	329 709	41 845	30 064	16 703	1 420 544	822 589	-	794 826
Michigan.....	306 265	193 039	84 841	22 683	67 071	637 860	340 745	-	610 973
Minnesota.....	180 577	109 128	41 508	11 420	30 129	294 517	683 633	-	458 075
Mississippi.....	41 567	22 269	12 248	41 982	12 512	115 741	279 100	-	146 835
Missouri.....	134 836	121 523	21 094	25 621	7 948	394 592	8 073	-	251 884
Montana.....	66 372	30 470	7 057	1 920	4 854	113 806	45 679	1 173	105 626
Nebraska.....	43 475	27 338	10 471	3 219	7 228	127 914	145 725	-	58 140
Nevada.....	87 975	21 134	8 524	162	7 485	115 597	335 751	-	100 473
New Hampshire.....	36 555	52 448	7 744	5 517	4 649	297 489	31 517	-	87 812
New Jersey.....	278 788	296 045	51 302	45 277	55 374	1 385 961	963 929	-	2 764 355
New Mexico.....	67 601	77 476	10 194	24 497	8 953	103 474	398 631	-	90 108
New York.....	849 205	1 225 845	176 640	136 393	93 830	3 246 942	889 567	-	2 437 739
North Carolina.....	138 372	234 127	17 133	35 687	26 383	273 409	488 987	321	320 454
North Dakota.....	21 705	17 377	3 197	2 575	4 592	74 478	50 774	92 369	72 636
Ohio.....	503 461	128 854	33 126	105 705	25 437	854 526	1 045 997	2 234	533 222
Oklahoma.....	148 949	84 357	21 274	15 254	7 925	170 574	19 407	3 011	97 508
Oregon.....	225 465	133 440	14 713	27 801	9 167	804 793	96 786	-	175 161
Pennsylvania.....	400 250	290 597	132 884	38 372	38 527	1 074 768	150 097	-	1 778 143
Rhode Island.....	41 828	65 849	12 258	14 644	15 249	206 261	20 605	2 540	410 448
South Carolina.....	121 505	43 277	22 223	22 152	7 265	241 042	266 622	-	327 244
South Dakota.....	23 658	16 437	4 853	16 307	5 382	139 731	24 543	28 083	40 863
Tennessee.....	97 380	87 187	14 905	29 387	14 800	202 680	235 746	-	283 246
Texas.....	337 310	239 538	65 130	63 592	27 166	615 624	50 417	-	1 007 607
Utah.....	71 752	56 441	9 525	28 816	5 340	150 072	-	-	97 509
Vermont.....	29 953	26 014	4 892	29 608	4 651	113 052	10 318	-	90 604
Virginia.....	279 584	197 301	23 400	35 088	8 892	478 499	26 093	-	163 480
Washington.....	181 985	52 439	47 154	59 861	33 902	434 223	91 669	-	425 417
West Virginia.....	94 808	39 847	12 651	13 858	9 564	172 304	13 279	-	194 415
Wisconsin.....	123 605	127 226	40 790	2 499	5 542	498 978	1 214 344	-	518 285
Wyoming.....	34 150	24 158	3 179	5 981	4 918	70 889	139 317	-	42 807

¹See table 12 for additional detail.

ATTACHMENT B

**"Table 6.15, State General Expenditure, by Function and by State: 1991",
*Book of the States, Council of State Governments***

Table 6.15
STATE GENERAL EXPENDITURE, BY FUNCTION AND BY STATE: 1991
(In thousands of dollars)

State	Total general expenditure (a)	Education	Public welfare	Highways	Hospitals	Natural resources	Health	Corrections	Financial administration	Employment security administration	Police
United States	\$554,900,684	\$196,648,164	\$124,455,584	\$47,037,783	\$24,465,507	\$10,256,134	\$21,411,822	\$19,239,732	\$9,100,736	\$3,238,133	\$5,506,111
Alabama	8,050,247	3,508,818	1,356,970	679,371	705,923	152,596	342,850	176,812	104,603	55,583	76,500
Alaska	4,493,231	1,098,062	434,961	501,887	31,609	242,492	142,270	129,827	93,540	23,554	43,067
Arizona	7,287,499	2,807,281	1,034,440	1,094,076	75,230	126,784	282,181	347,329	165,781	27,269	114,981
Arkansas	4,315,084	1,840,883	953,593	459,403	165,407	103,721	128,557	99,568	70,708	32,910	37,021
California	75,033,397	27,217,855	18,990,798	3,888,891	2,377,993	1,639,523	3,427,654	2,982,713	1,453,660	304,384	832,254
Colorado	6,089,428	2,653,866	1,131,940	670,712	187,080	127,586	197,509	256,967	136,465	47,140	40,136
Connecticut	9,806,921	2,334,659	2,068,735	1,019,038	687,910	73,402	341,777	459,799	155,298	70,114	99,256
Delaware	2,151,640	758,217	256,892	257,350	43,596	28,960	103,227	82,709	53,897	7,985	36,500
Florida	23,628,437	9,096,937	4,556,120	1,778,850	491,279	690,528	1,457,379	924,210	403,197	35,797	251,709
Georgia	12,280,305	5,199,458	2,672,806	1,019,880	529,250	256,184	484,224	628,057	113,364	33,873	110,779
Hawaii	4,174,449	1,268,863	478,011	276,620	171,610	109,483	198,137	91,877	77,883	18,112	8,086
Idaho	2,055,374	862,416	285,200	278,597	30,442	88,312	56,787	52,688	36,418	15,707	25,025
Illinois	22,167,969	7,206,250	4,860,235	2,375,834	652,516	278,112	877,710	661,982	393,427	194,882	234,794
Indiana	11,153,394	4,591,219	2,271,723	1,044,286	461,749	138,129	301,396	295,942	173,069	66,246	89,725
Iowa	6,383,519	2,581,131	1,171,292	866,714	457,525	164,599	118,513	150,815	99,903	44,058	46,124
Kansas	4,698,597	1,945,407	816,831	633,246	285,331	149,598	137,029	208,646	90,152	17,646	30,147
Kentucky	8,247,566	3,309,670	1,936,684	826,158	277,843	210,807	195,324	208,584	144,019	45,156	105,093
Louisiana	9,592,563	3,464,812	1,831,817	842,546	697,136	235,753	300,405	358,672	81,568	56,533	114,214
Maine	3,095,441	960,894	377,679	286,969	73,553	75,568	104,482	68,009	50,498	23,009	29,951
Maryland	10,776,479	3,353,612	2,107,771	1,187,070	351,043	228,142	544,860	506,282	222,087	36,985	272,558
Massachusetts	18,265,374	3,299,520	5,784,674	699,095	841,011	146,345	762,023	708,076	160,633	108,139	121,387
Michigan	20,748,884	6,948,119	5,125,229	1,436,773	1,092,771	254,145	1,284,400	815,372	207,374	152,467	191,369
Minnesota	11,688,084	4,501,100	2,375,445	1,011,745	336,654	273,637	356,518	167,194	190,309	82,190	88,590
Mississippi	4,680,374	1,902,486	368,399	496,226	228,720	127,640	146,126	91,211	46,689	34,843	32,496
Missouri	8,478,125	3,454,018	1,771,716	902,654	409,013	195,700	306,142	197,081	134,118	61,821	97,133
Montana	2,058,039	752,810	331,119	272,279	40,536	116,574	74,086	45,601	53,400	10,391	21,146
Nebraska	3,191,303	1,161,219	394,398	434,941	213,008	107,960	112,979	66,098	39,167	21,894	33,610
Nevada	2,556,872	997,787	362,459	242,575	48,677	49,612	56,461	125,696	69,082	21,339	23,751
New Hampshire	1,748,813	404,343	398,299	175,348	43,854	38,322	98,808	43,257	28,919	16,989	24,179
New Jersey	19,398,772	5,830,322	4,185,677	1,372,131	813,156	169,743	500,009	633,398	301,179	70,904	239,138
New Mexico	4,203,656	1,777,914	537,590	364,475	209,973	81,073	161,635	123,341	65,427	45,517	47,139
New York	53,916,492	14,580,528	17,015,247	2,569,144	3,431,920	352,635	1,920,611	2,203,720	845,155	337,336	319,577
North Carolina	13,805,168	6,258,105	2,161,902	1,389,931	613,921	286,206	471,143	526,724	137,648	51,342	142,297
North Dakota	1,653,192	622,666	255,754	196,408	63,502	74,635	29,671	15,181	18,744	4,702	6,908
Ohio	22,324,368	3,008,509	5,712,108	2,046,757	1,072,703	242,266	678,654	642,984	480,144	147,724	145,355
Oklahoma	6,270,902	2,597,006	1,263,277	778,673	316,717	101,195	229,586	201,807	143,656	41,931	41,969
Oregon	6,292,079	1,891,945	1,144,097	783,904	333,374	195,083	240,548	237,256	153,990	34,300	63,280
Pennsylvania	22,879,014	6,892,290	6,115,065	2,362,726	1,018,528	386,620	828,192	541,069	337,697	140,677	298,807
Rhode Island	2,749,576	724,959	651,329	194,402	112,944	28,386	141,678	92,086	43,066	22,337	27,030
South Carolina	7,698,481	3,021,894	1,538,125	510,991	487,973	145,065	429,404	314,469	114,342	49,788	53,763

STATE GENERAL EXPENDITURE, BY FUNCTION AND BY STATE: 1991—Continued

State	Total general expenditure (a)	Education	Public welfare	Highways	Hospitals	Natural resources	Health	Corrections	Financial administration	Employment security administration	Police
South Dakota	1,356,187	409,004	212,120	209,354	16,235	58,625	55,827	28,258	22,392	13,023	13,903
Tennessee	8,596,037	3,074,195	1,977,532	1,060,615	391,388	110,973	312,102	393,752	102,002	61,779	62,139
Texas	27,025,896	12,310,342	5,393,405	2,612,497	1,312,703	386,552	802,863	1,064,135	295,281	213,233	206,626
Utah	3,692,298	1,804,567	533,666	300,314	212,173	87,602	116,754	91,610	64,257	41,716	30,003
Vermont	1,606,774	540,115	345,516	169,872	22,971	60,092	41,453	30,319	34,228	9,192	23,164
Virginia	12,389,500	4,868,391	1,814,379	1,696,901	881,507	172,285	430,685	567,313	271,623	70,455	274,623
Washington	13,170,331	5,748,501	2,451,817	1,104,748	437,731	487,506	550,856	309,694	191,007	80,217	164,297
West Virginia	3,996,068	1,721,050	708,271	500,904	57,688	109,860	100,270	40,470	75,370	22,488	25,095
Wisconsin	11,340,393	3,948,375	2,480,359	829,118	364,506	205,552	364,954	307,794	114,535	59,522	42,131
Wyoming	1,637,792	535,714	152,107	324,757	35,625	73,466	65,113	23,248	39,265	12,434	16,379

Source: U.S. Department of Commerce, Bureau of the Census, *State Government Finances 1991*.
Note: Detail may not add to totals due to rounding.

(a) Does not represent state figures because total includes miscellaneous expenditures not shown separately.

SCOMM

101:54

MEMORANDUM

State of Alaska

DEPARTMENT OF REVENUE

TO: Recipients of Spring 1995
Revenue Sources Book

DATE: 4/18/95

TELEPHONE #: 276-1363 ext. 255

FROM: Denise Hawes *D. H.*
Economist-Editor
Oil & Gas Audit Division

SUBJECT: Corrected Data

Please find attached corrected Tables 17, 18, and 19 (on pages 33, 34, and 35) of the Spring 1995 Revenue Sources Book. These pages supersede those bound in the book. Unfortunately the corrections came to light too late to make the publisher's deadline. The revised pages have been stapled to this memo to facilitate stuffing of mailing envelopes and to avoid the future misplacement of individual tables.

Table 17

Base Case Scenario Petroleum Production Revenue Forecast
(Millions of Dollars)

Alaska North Slope								Cook Inlet							
Fiscal Year	Oil Royalty	Oil Severance	Cons. Tax	Hazardous Rel. Fund	Gas Royalty	Gas Severance	ANS Total	Oil Royalty	Oil Severance	Cons. Tax	Hazardous Rel. Fund	Gas Royalty	Gas Severance	Cook Inlet Total	State Total
1995	751.0	744.9	2.1	21.3	32.1	16.1	1567.5	25.5	0.0	0.1	0.6	26.1	14.6	66.8	1634.3
1996	729.2	673.3	1.8	13.7	30.7	15.6	1464.3	27.7	0.0	0.1	0.5	27.4	14.5	70.1	1534.4
1997	770.7	699.0	1.8	13.3	27.6	13.7	1526.1	26.5	0.0	0.1	0.4	28.9	15.2	71.0	1597.2
1998	834.5	737.3	1.7	13.0	29.8	14.7	1631.0	26.6	0.0	0.1	0.4	30.7	16.0	73.7	1704.7
1999	888.2	732.1	1.7	12.6	32.1	15.8	1682.5	25.6	0.0	0.0	0.4	32.2	16.8	75.0	1757.5
2000	904.6	738.8	1.6	12.3	33.4	16.4	1707.0	24.9	0.0	0.0	0.3	33.8	17.5	76.5	1783.6
2001	906.0	755.1	1.6	11.9	33.3	16.5	1724.4	23.5	0.0	0.0	0.3	36.5	18.4	78.7	1803.1
2002	895.9	747.5	1.5	11.4	32.7	16.3	1705.4	22.7	0.0	0.0	0.3	39.3	19.3	81.7	1787.1
2003	886.7	736.7	1.5	10.9	32.8	16.3	1684.9	22.1	0.0	0.0	0.3	41.9	20.3	84.6	1769.5
2004	880.9	728.3	1.4	10.5	33.0	16.3	1670.4	21.5	0.0	0.0	0.2	44.6	21.2	87.6	1758.0
2005	872.0	714.7	1.3	10.1	32.8	16.3	1647.3	20.0	0.0	0.0	0.2	47.3	22.2	89.7	1737.0
2006	844.6	676.6	1.3	9.5	32.1	15.9	1579.9	19.4	0.0	0.0	0.2	49.9	23.1	92.7	1672.5
2007	819.0	640.7	1.2	8.9	31.2	15.4	1516.4	18.7	0.0	0.0	0.2	52.6	24.1	95.6	1612.0
2008	856.3	621.3	1.2	8.9	30.7	15.2	1533.5	18.1	0.0	0.0	0.2	55.3	25.1	98.7	1632.1
2009	830.8	593.1	1.1	8.3	29.8	14.8	1477.9	17.5	0.0	0.0	0.2	57.9	26.1	101.8	1579.7
2010	802.9	564.4	1.0	7.7	29.1	14.4	1419.5	16.9	0.0	0.0	0.1	60.6	27.1	104.9	1524.3

Table 18

Low Price Alternative Petroleum Production Revenue Forecast (Millions of Dollars)

Alaska North Slope								Cook Inlet							
Fiscal Year	Oil Royalty	Oil Severance	Cons. Tax	Hazardous Rel. Fund	Gas Royalty	Gas Severance	ANS Total	Oil Royalty	Oil Severance	Cons. Tax	Hazardous Rel. Fund	Gas Royalty	Gas Severance	Cook Inlet Total	State Total
1995	727.7	722.1	2.1	21.3	30.8	15.5	1519.5	25.5	0.0	0.1	0.6	26.1	14.6	66.8	1586.3
1996	650.0	603.3	1.8	13.7	26.7	13.4	1308.9	25.3	0.0	0.1	0.5	27.2	14.5	67.5	1376.4
1997	655.8	594.6	1.7	13.1	23.3	11.3	1299.7	23.6	0.0	0.1	0.4	28.4	15.0	67.5	1367.2
1998	654.1	580.4	1.7	12.5	23.8	11.3	1283.6	22.5	0.0	0.1	0.4	29.8	15.6	68.4	1352.0
1999	668.2	542.4	1.6	11.8	24.7	11.6	1260.3	21.1	0.0	0.1	0.4	31.0	16.2	68.6	1328.9
2000	638.8	512.2	1.5	11.2	24.8	11.4	1200.0	19.9	0.0	0.1	0.3	32.1	16.7	69.1	1269.0
2001	602.9	492.7	1.4	10.6	23.8	10.9	1142.2	18.2	0.0	0.1	0.3	34.4	17.4	70.4	1212.6
2002	575.1	472.7	1.3	10.1	22.5	10.4	1092.1	17.2	0.0	0.1	0.3	36.6	18.1	72.3	1164.4
2003	548.9	453.2	1.3	9.6	21.8	10.0	1044.8	16.3	0.0	0.0	0.3	38.8	18.9	74.2	1119.0
2004	524.2	435.8	1.2	9.2	21.1	9.6	1001.1	15.4	0.0	0.0	0.2	40.9	19.6	76.1	1077.2
2005	495.9	415.7	1.2	8.7	20.1	9.2	950.9	14.0	0.0	0.0	0.2	42.9	20.2	77.4	1028.3
2006	454.4	378.5	1.1	8.1	18.8	8.5	869.5	13.1	0.0	0.0	0.2	44.9	20.9	79.2	948.7
2007	416.3	344.3	1.0	7.4	17.6	7.9	794.5	12.4	0.0	0.0	0.2	46.8	21.6	81.0	875.5
2008	386.1	317.8	0.9	6.9	16.5	7.4	735.7	11.7	0.0	0.0	0.2	48.7	22.3	82.9	818.6
2009	354.6	289.6	0.8	6.3	15.5	6.9	673.7	11.0	0.0	0.0	0.2	50.6	23.0	84.8	758.5
2010	331.8	267.9	0.8	5.8	14.7	6.6	627.6	10.4	0.0	0.0	0.1	52.5	23.7	86.7	714.4

Table 19

High Price Alternative Petroleum Production Revenue Forecast (Millions of Dollars)

Alaska North Slope								Cook Inlet							
Fiscal Year	Oil Royalty	Oil Severance	Cons. Tax	Hazardous Rel. Fund	Gas Royalty	Gas Severance	ANS Total	Oil Royalty	Oil Severance	Cons. Tax	Hazardous Rel. Fund	Gas Royalty	Gas Severance	Cook Inlet Total	State Total
1995	768.9	761.6	2.1	21.3	32.9	16.7	1603.4	25.5	0.0	0.1	0.6	26.1	14.6	66.8	1670.3
1996	826.9	760.0	1.8	13.7	35.6	18.3	1656.4	30.46	0.0	0.1	0.5	27.8	14.6	73.4	1729.8
1997	889.8	809.7	1.8	13.6	31.9	16.1	1762.9	29.35	0.0	0.1	0.4	29.7	15.5	75.1	1838.0
1998	1021.3	904.4	1.8	13.7	35.4	17.8	1994.3	30.38	0.0	0.1	0.4	32.1	16.6	79.6	2073.8
1999	1138.1	949.2	1.8	13.6	39.0	19.7	2161.4	30.00	0.0	0.1	0.4	34.2	17.6	82.3	2243.6
2000	1252.2	1016.2	1.9	13.9	41.6	21.1	2346.8	29.73	0.0	0.1	0.3	36.4	18.7	85.2	2431.9
2001	1325.4	1090.0	1.9	13.9	42.5	21.9	2495.6	28.63	0.0	0.1	0.3	39.9	19.9	88.9	2584.4
2002	1351.2	1104.2	1.8	13.4	42.7	22.1	2535.5	28.39	0.0	0.1	0.3	43.5	21.2	93.5	2629.0
2003	1378.0	1110.5	1.7	12.9	43.9	22.7	2569.7	28.16	0.0	0.0	0.3	47.2	22.6	98.3	2668.0
2004	1400.1	1113.2	1.7	12.4	45.1	23.3	2595.8	27.96	0.0	0.0	0.2	51.0	24.0	103.2	2699.0
2005	1411.8	1108.8	1.6	11.9	46.1	23.9	2604.0	26.62	0.0	0.0	0.2	54.8	25.4	107.1	2711.1
2006	1395.8	1072.9	1.5	11.1	46.0	23.8	2551.1	26.26	0.0	0.0	0.2	58.7	26.9	112.2	2663.2
2007	1368.4	1039.4	1.4	10.3	45.8	23.7	2489.0	25.91	0.0	0.0	0.2	62.8	28.5	117.4	2606.4
2008	1345.8	1016.5	1.3	9.6	45.8	23.7	2442.6	25.59	0.0	0.0	0.2	67.0	30.1	122.8	2565.5
2009	1307.6	987.8	1.2	8.8	45.5	23.6	2374.5	25.27	0.0	0.0	0.2	71.3	31.7	128.5	2502.9
2010	1273.9	960.0	1.1	8.1	45.2	23.3	2311.6	24.83	0.0	0.0	0.1	75.7	33.5	134.2	2445.7

State of Alaska

DEPARTMENT OF REVENUE



INCOME AND EXCISE AUDIT DIVISION
ANNUAL REPORT

For the Fiscal Year Ended June 30, 1994

Alaska Department of Revenue
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1994

Annual Report

Income and Excise Audit Division (IEAD) is an agency within Department of Revenue responsible for administering Alaska's corporation net income, excise and miscellaneous tax programs. IEAD is also responsible for administering the state's unclaimed property program.

This annual report presents highlights and activities of the Division for the fiscal year ended June 30, 1994. The report provides revenue collections, program information, a brief history of changes and summary tax data for fiscal year 1994 as well as for prior years.

The objectives of this annual report are as follows:

- 1) Provide a brief overview of each tax program and unclaimed property.
- 2) Provide updated information, statistical data and charts for revenue analyses and comparisons.
- 3) Highlight policy issues and trends for future revenue planning.

This annual report is organized by sections as outlined in the following table of contents for easy reference.

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**EXECUTIVE
SUMMARY**

FY 94 in Retrospect

In response to declining General Fund revenues from decreased oil production, Income and Excise Audit Division (IEAD) took steps to develop strategies for enhancing state revenues. As oil revenues continue to decline, IEAD foresees that greater emphasis will be placed on the tax programs administered by IEAD for potential revenue enhancements. During FY 94, IEAD established a separate unit to focus on compliance efforts and continued to accelerate audits to close tax years from the 1980s.

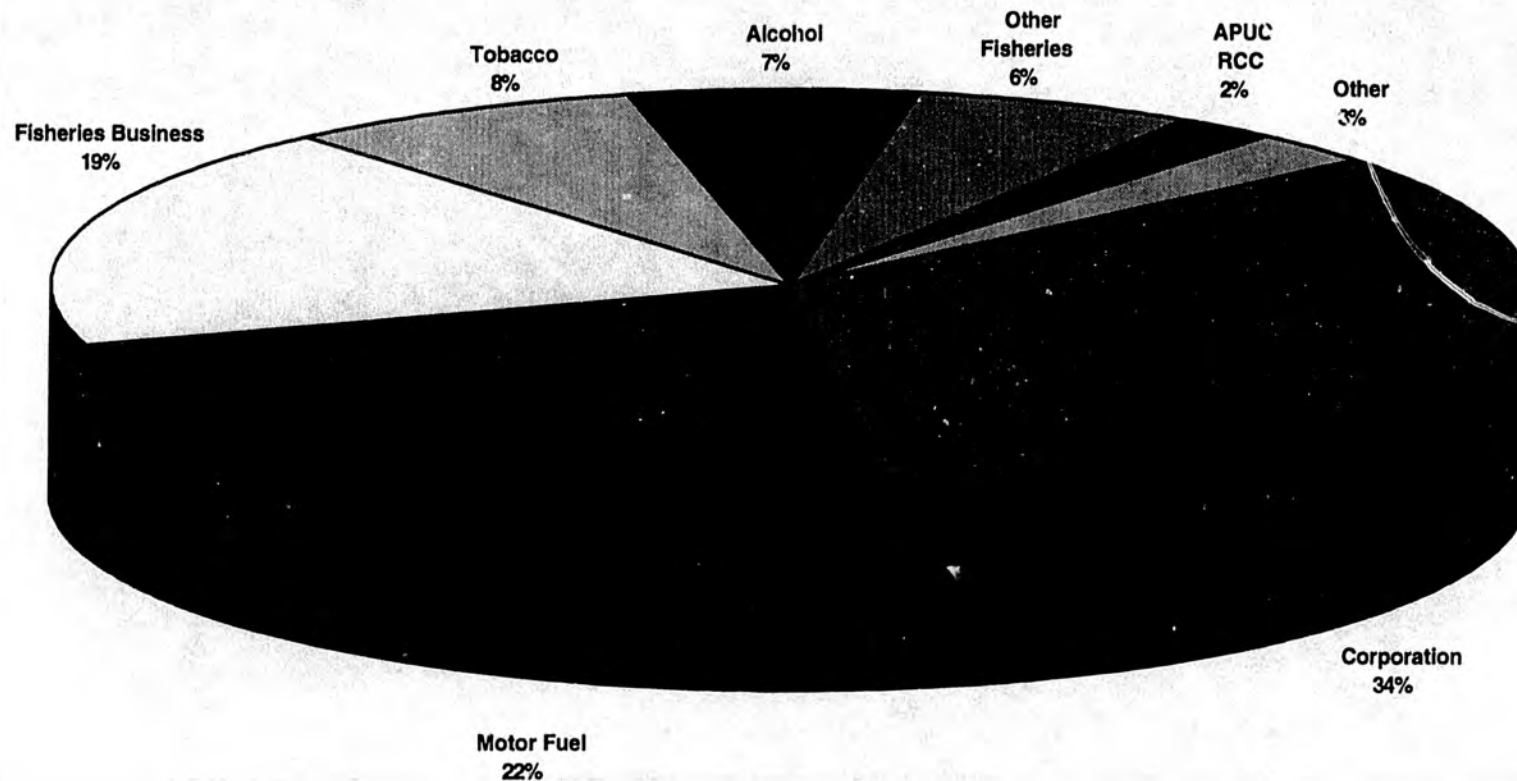
Significant accomplishments and changes for FY 94 are summarized below.

- **Constitutional Budget Reserve Fund (CBRF)** - IEAD is responsible for maintaining records of payments subject to CBRF. Based on Alaska Superior and Supreme Court rulings issued during FY 94, IEAD coordinated with other state agencies to identify over \$1 billion of payments which previously had been deposited in the state's General Fund. These funds were subsequently restored to CBRF by the Alaska legislature in April 1994.
- **Revenue Collections** - Overall revenue collected by IEAD for FY 94 was \$299 million, down 70% and 5% from fiscal years 1993 and 1992, respectively. The decrease from FY 93 resulted from the following two factors: 1) an extraordinarily large settlement payment for prior year corporation tax assessments received during FY 93; and 2) large corporation tax refunds claimed by oil and gas corporations during FY 94. Refer to Table 1 on page 2 for detail revenue collections information.
- **Tax Compliance** - To focus efforts on increased tax compliance and revenue enhancements, IEAD established a separate Compliance Unit. As a result, 1100 new returns from nonfilers were filed and processed.
- **Tax Accounting System** - In July 1993, IEAD completed a data processing needs analysis to define available technologies to complement the Department's future data processing environment and enhance the Division's tax accounting system. In May 1994, IEAD initiated a project to replace its tax accounting system with a system which utilizes modern relational database technology. Through competitive procurement, IEAD contracted with KPMG Peat Marwick to develop a new tax accounting system which is projected to be complete by July, 1995.
- **Fisheries Taxes** - New laws enacted by the 1993 Alaska legislature resulted in two new fisheries-related taxes. A new salmon marketing tax took effect on July 1, 1993 and generated \$3 million during FY 94. A new fishery resource landing tax took effect on January 1, 1994 and generated \$.1 million from estimated payments during FY 94. Estimated payments for the remainder of calendar year 1994 will be received during FY 95.

**Table 1 - Three-Year Comparison of Revenue Collections
Fiscal Years 1992 - 1994**

Fund Source	FY 94	% Fund Total	FY 93	% Fund Total	FY 92	% Fund Total
General Fund						
Corporation	\$ 61,756,687	33.9%	\$ 227,159,982	64.5%	\$ 156,408,665	58.6%
Motor Fuel	40,506,773	22.2%	40,742,908	11.6%	43,246,683	16.2%
Fisheries Business	33,928,444	18.6%	42,165,834	12.0%	30,168,697	11.3%
Tobacco	14,133,113	7.7%	14,042,686	4.0%	14,250,776	5.3%
Alcoholic Beverages	11,955,614	6.6%	11,898,804	3.4%	12,034,178	4.5%
Salmon Enhancement	4,954,215	2.7%	6,745,835	1.9%	4,154,140	1.6%
APUC Regulatory Cost Charges	4,270,723	2.3%	2,380,341	0.7%	N/A	N/A
Salmon Marketing	3,018,943	1.7%	N/A	N/A	N/A	N/A
Seafood Marketing Assessments	2,725,225	1.5%	3,563,247	1.0%	2,743,230	1.0%
Estate	1,616,313	0.9%	918,402	0.3%	1,029,064	0.4%
Electric Cooperative	1,355,282	0.7%	1,275,532	0.4%	1,291,865	0.5%
Telephone Cooperative	1,253,906	0.7%	903,378	0.3%	808,807	0.3%
Alaska Business License	573,629	0.3%	0	0.0%	0	0.0%
Mining License	169,385	0.1%	425,607	0.1%	465,153	0.2%
Fishery Resource Landing	102,424	0.1%	N/A	N/A	N/A	N/A
Coin-Operated Device	95,505	0.1%	108,194	0.0%	107,850	0.0%
Individual Income	16,000	0.0%	16,460	0.0%	237,716	0.1%
Total General Fund	182,432,181	100.0%	352,347,210	100.0%	266,946,824	100.0%
Constitutional Budget Reserve Fund (CBRF)						
Corporation	113,739,083	100.0%	645,094,514	100.0%	43,614,480	100.0%
Mining License	7,491	0.0%	11,467	0.0%	3,396	0.0%
Total CBRF	113,746,574	100.0%	645,105,981	100.0%	43,617,876	100.0%
School Fund						
Tobacco	2,654,890	99.9%	2,668,122	99.9%	2,721,688	99.9%
Cigarette License Fees	3,435	0.1%	3,760	0.1%	3,545	0.1%
Total School Fund	2,658,325	100.0%	2,671,882	100.0%	2,725,233	100.0%
Total All Funds	\$298,837,080	100.0%	\$1,000,125,073	100.0%	\$313,289,933	100.0%

Table 2 - FY 94 General Fund Income and Excise Tax Collections

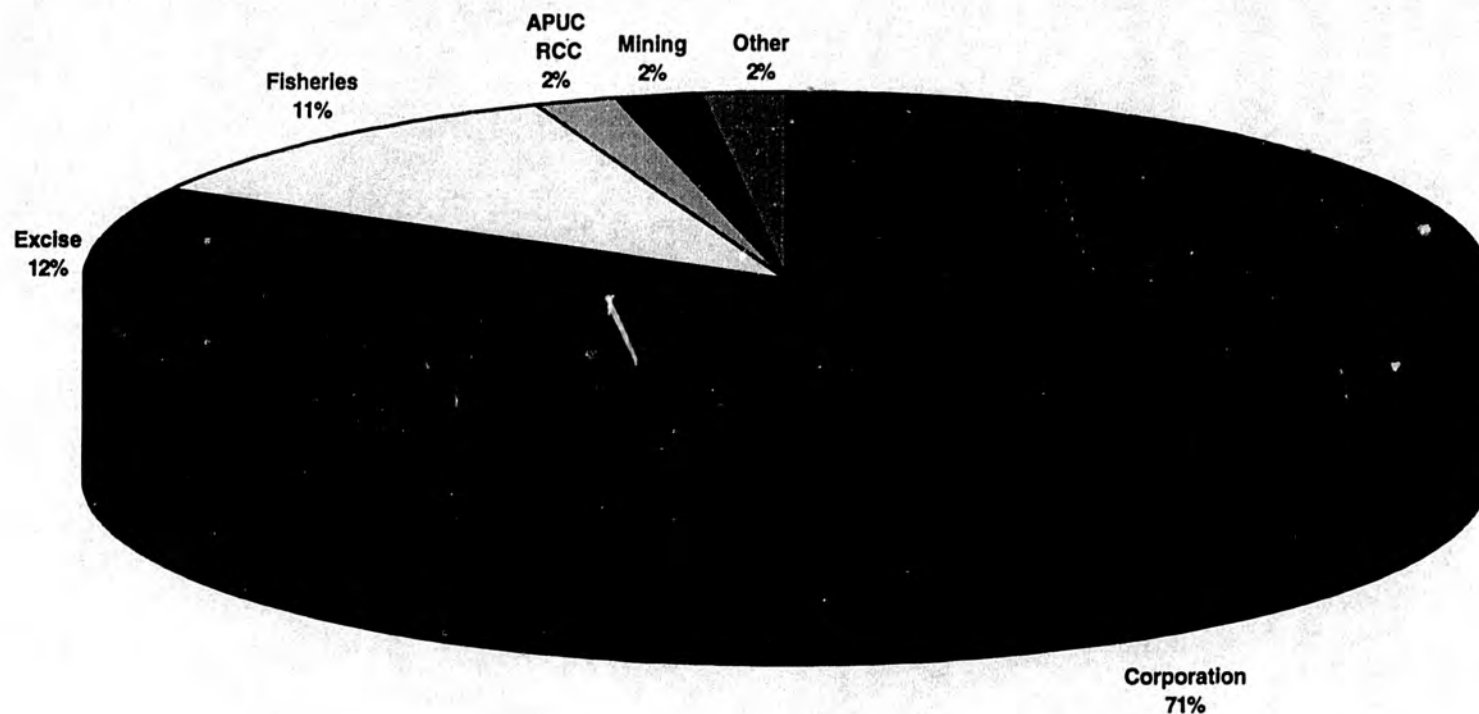


Total Tax Collections: \$182,432,181

Other Fisheries includes salmon enhancement and marketing, seafood marketing and fishery resource landing tax collections.

Other includes estate, electric and telephone cooperative, business license, coin-operated devices and mining license tax collections.

Table 3 - FY 94 Income and Excise Tax Return Filing Volumes



Total Returns Filed: 21,270

Corporation	15,070	Fisheries	2,394	APUC RCC	407
Excise	2,592	Salmon Enhancement	692	Mining	384
Motor Fuel	1,923	Salmon Marketing	679	Other	423
Tobacco	513	Fisheries Business	654	Coin-Operated Devices	358
Alcohol	156	Seafood Marketing	369	Estate	42
				Electric/Telephone Co-op	23

HIGHLIGHTS

Constitutional Budget Reserve Fund (CBRF) Restored. IEAD is responsible for maintaining records of payments subject to CBRF and ensuring that the payments are posted to appropriate funds. IEAD receives documents from state agencies which designate fund allocations for each payment.

CBRF was established by amendment (section 17) to Article IX of the Alaska Constitution. The amendment, ratified in 1990, requires that mineral-related settlement payments be deposited into CBRF. The amendment was retroactive to July 1, 1990.

On July 12, 1993, the senate majority filed suit challenging Department of Revenue's action of depositing payments resulting from informal tax conferences into General Fund. *Halford v. Hickel* (3-AN-93-6297 CI). On July 27, 1993, former Governor Steve Cowper filed a similar complaint captioned *Cowper v. Hickel* (3-AN-93-6848 CI). The cases were later consolidated.

On November 19, 1993, the Alaska Superior Court issued its decision which concluded that the CBRF amendment applies to informal conferences. Payments from informal conferences had previously been deposited in the General Fund. On November 29, 1993, the Superior Court ordered the governor to fully restore CBRF, plus accrued interest, and to comply with its decision by the end of the 1994 legislative session.

Following appeal by the Governor to the Alaska Supreme Court, the court in *Hickel v. Halford* (Supreme Court No. S-6124/6134) (Alaska Jan. 27, 1994) upheld the November 19, 1993 Superior Court decision.

Subsequent judicial interpretation (*Hickel v. Halford* (Supreme Court No. 4069)) (Alaska April 4, 1994) required that revenue received directly from notices of assessment issued by Department of Revenue, previously deposited in the General Fund, also be restored to CBRF.

In April 1994, IEAD coordinated efforts with state agencies to identify payments previously deposited in the General Fund to be restored to CBRF. Payments totalling \$1,006,038,474 were identified for being restored to CBRF in accordance with the court decisions.

On April 14, 1994, Governor Hickel signed HB 505 (Ch 14 SLA 94) which appropriated \$1,054,633,534 (\$1,006,038,474 plus \$48,595,060 of interest earnings), from the General Fund to CBRF. Latter sections of HB 505 appropriated the \$1,054,633,534 back to the General Fund. The bill became effective April 15, 1994.

New Compliance Unit Secured Over 1,100 Tax Returns from Nonfilers. IEAD expanded its compliance efforts by establishing a separate Compliance Unit in October 1993. Previous to October, compliance efforts had been integrated into each of the examination units' operations.

The Compliance Unit's mission is to secure returns from entities doing business in Alaska but not filing returns with the Department. During FY 94, the unit placed emphasis on securing corporation tax returns. The unit compared data from internal and external agencies to identify potential nonfilers.

By centralizing the compliance function into a separate unit, IEAD was able to focus its efforts on groups of taxpayers and utilize economies of scale. As a result, IEAD surpassed its goal of securing 1,000 new returns during FY 94.

Executive Summary

New Tax Accounting System Initiated.

IEAD initiated a contract with KPMG Peat Marwick (KPMG) in May 1994 to design and develop a new tax accounting system (TAS) utilizing modern relational database technology. TAS will provide for more detailed accounting of each assessment issued by the Division. TAS is expected to be implemented by July 1, 1995.

TAS will expand IEAD's report capabilities to allow for reporting on individual assessments and will be used for selecting audits with highest potential assessment gains.

New Tax Programs Implemented. IEAD implemented the following new tax programs which were enacted by the 1993 legislature.

Salmon Marketing Tax (Ch 55 SLA 93). This 1% tax took effect July 1, 1993 and is computed on the value of salmon sold to processors in or exported from Alaska. Processors collect the tax from limited entry permit holders and remit taxes monthly to IEAD.

IEAD designed and mailed tax return forms for the new tax to all fisheries businesses licensed with the Division. During its first year, the salmon tax program generated \$3,018,000.

Fishery Resource Landing Tax (Ch 67 SLA 93). This 3.3% tax took effect January 1, 1994 and is computed on the unprocessed value of fishery resources landed in Alaska. Persons landing processed fishery resources in Alaska are liable for and pay taxes to the Department on a calendar year basis. Although calendar year 1994 tax returns are not due until March 31, 1995, IEAD collected approximately \$102,000 in quarterly estimated payments required under regulations.

IEAD adopted regulations (15 AAC 77), which took effect April 20, 1994, to implement and interpret fishery resource landing tax statutes as required under AS 43.77.070.

In February 1994, American Factory Trawler Association (AFTA) filed litigation against the state on grounds that the landing tax is unconstitutional under both U.S. and Alaska constitutions. On September 22, 1994, the Alaska Superior Court granted the state summary judgment on the basis that AFTA failed to exhaust administrative remedies available in Department of Revenue. AFTA members will likely seek administrative remedy when they file landing tax returns in the spring of 1995.

Bonding Program Transferred to IEAD.

Under Executive Order 85 adopted in 1993, the bonding program that serves as security for collection of wages and payment for raw fish was transferred from Department of Labor to IEAD.

The bonding program was transferred to increase efficiencies and reduce the number of agencies that fisheries business must interact with to become licensed in Alaska. IEAD incorporated the bonding program into its fisheries business license program.

Unclaimed Property Stocks Liquidated.

As provided under statutes, IEAD liquidated stocks held by IEAD under the unclaimed property program for more than 3 years. The liquidation yielded \$350,000 which was deposited in the Unclaimed Property Trust account within the General Fund. Amounts attributable to individual stocks were credited to the respective owner's account. Owners may claim the liquidated amount by submitting a refund claim with IEAD.

NEW LEGISLATION

Six bills which impact Income and Excise Audit Division were passed by the 1994 legislature and signed by the governor. The bills are summarized below.

HB 420 (Ch 99 SLA 94) - Limited Liability Companies. This bill authorizes business entities to organize and be recognized as limited liability companies (LLC) under Department of Commerce and Economic Development statutes.

Even though classified as a corporation for most purposes, LLCs escape taxation under the state's corporation net income tax statutes. LLCs are treated as partnerships for taxation under the Internal Revenue Code (IRC). With repeal of individual income tax statutes in 1980, partnership income (taxed at the individual level) is not subject to income taxes in Alaska.

Although LLCs will not normally be subject to corporation net income tax, LLCs will be required to file returns on an informational basis with the Department since they are recognized as a form of corporation. This bill becomes effective July 1, 1995.

HB 453 (Ch 42 SLA 94) - Tax on Residual Fuel Oil. This bill decreases the tax rate on residual fuel oil (bunker fuel) used in passenger watercraft, namely cruise ships, after Department of Revenue has collected \$205,000 in taxes attributable to bunker fuel sales. The tax rate on bunker fuel, after the \$205,000 has been collected, will decrease from 5¢ to 1¢ per gallon. For purposes of this bill, residual fuel oil is defined as number 6 fuel oil that is residue from crude oil after refined petroleum products have been extracted.

Administratively, taxpayers will pay 5¢ per gallon on all bunker fuel sales throughout

the year. Department of Revenue will compile tax collection data for each year ending September 30 and refund taxpayers for the difference between the 5¢ and 1¢ per gallon rate once the \$205,000 threshold is met.

This bill was retroactive to October 1, 1993 and is effective through June 30, 1998. Since taxes collected from bunker fuel sales were less than \$205,000 for the period ending September 30, 1994, no refunds were issued during the program's first year.

HB 505 (Ch 14 SLA 94) - Appropriations to/from Constitutional Budget Reserve Fund (CBRF). This bill appropriated funds to CBRF to comply with orders of the Alaska Supreme Court and Alaska Superior Court that certain mineral-related monies previously deposited in the General Fund be restored to CBRF. During FY 94, the courts overturned an attorney general's opinion and ruled that the constitutional amendment establishing CBRF applies to monies received as a result of assessment or informal conference. Department of Revenue had accounted for these monies in the General Fund consistent with an Attorney General opinion issued in April 1992.

This bill appropriated \$1,054,633,534 (\$1,006,038,474 principal and \$48,595,060 interest) from the General Fund to CBRF. Latter sections of the bill appropriated the \$1,054,633,534 back to the General fund. The bill was passed by the legislature on April 13, signed by the Governor on April 14 and became effective April 15, 1994.

SB 225 (Ch 21 SLA 94) - Education Credit for Insurance Companies. This bill authorizes insurance companies to claim a credit for contributions to educational institutions against their insurance tax liabilities. The maximum

Executive Summary

credit which may be claimed is \$150,000 per year. While the insurance tax program is administered by Department of Commerce and Economic Development, insurance companies are required to combine the credit claimed under this bill with credits claimed under Department of Revenue tax programs so that the total credit under all programs does not exceed \$150,000 per year.

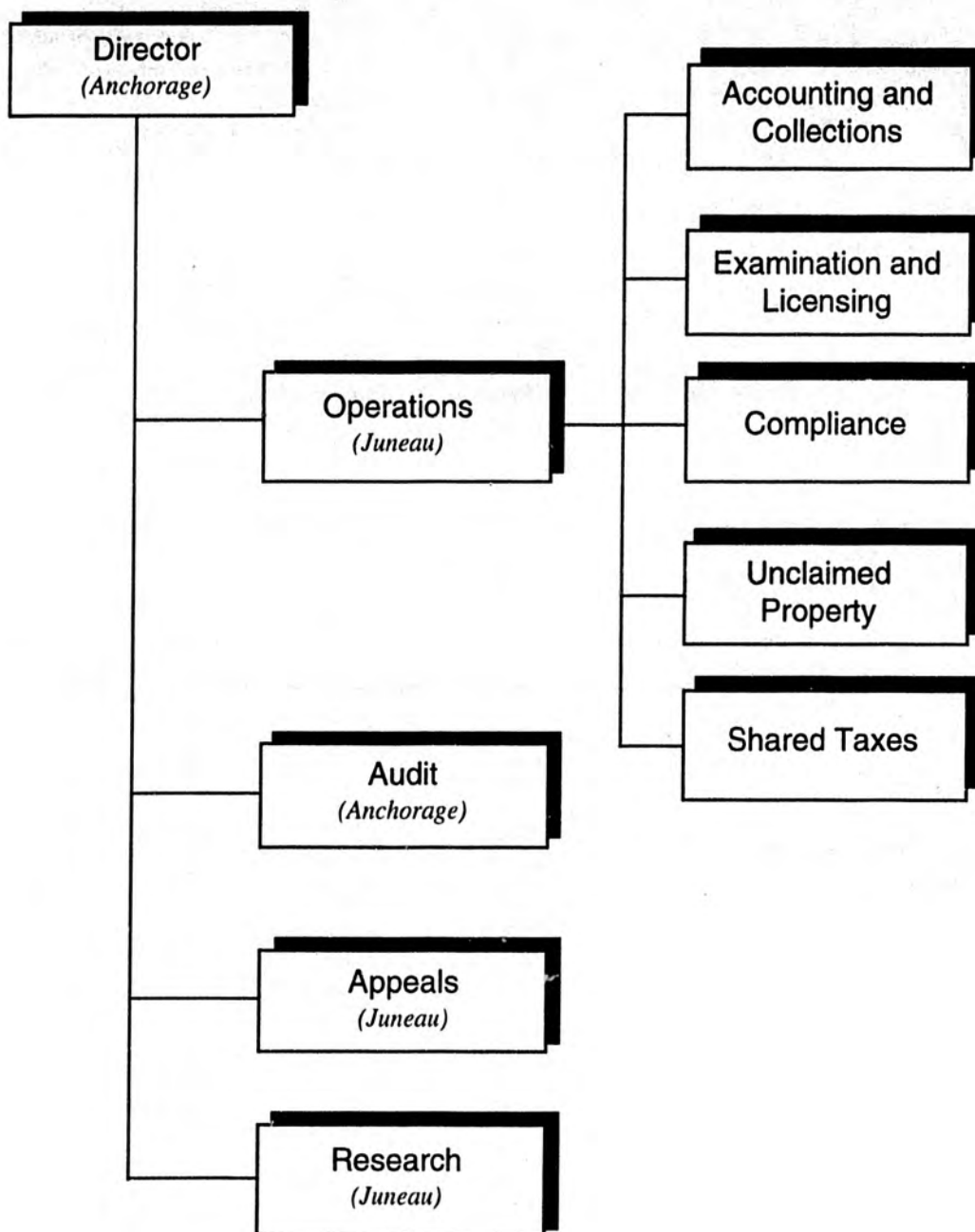
SB 256 (Ch 127 SLA 94) - Increase Aviation Fuel Tax. This bill increases motor fuel tax rates on aviation fuel by .7 cents per gallon under AS 43.40.010 (aviation gasoline from 4 to 4.7 and aviation (jet) fuel from 2.5 to 3.2 cents per gallon). The rates became effective September 27, 1994.

SB 357 (Ch 126 SLA 94) - Repeal Annual Report Requirements. This bill repealed Department of Revenue's requirement to submit an annual report to the legislature on the amount education tax credits claimed under the following statutes: corporation net income (AS 43.20); mining license (AS 43.65) and fisheries business (AS 43.75). Also, this bill repealed the Department's requirement to submit an annual report to the legislature on the amount of cigarette and tobacco taxes collected during the preceding fiscal year. This bill became effective July 1, 1994.

Although the statutory reports will no longer be submitted to the legislature, cigarette and tobacco tax revenue and education tax credit information is included in budget documents and the Division's annual report. The Division annual report is distributed to all legislators and made available to the public upon request.

ORGANIZATION

ORGANIZATION CHART



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COMPONENT FUNCTIONS

During the fiscal year, Income and Excise Audit Division (IEAD) was staffed by 57 full-time positions and had offices located in Juneau, Anchorage and Seattle. IEAD was functionally organized into four components: **Operations, Audit, Appeals and Research.**

OPERATIONS COMPONENT

Operations, located in Juneau, is responsible for initial receipt and processing of returns and tax payments. Operations is comprised of five units:

Accounting and Collections, Examination and Licensing, Compliance, Shared Taxes and Unclaimed Property.

Accounting and Collections

Accounting and Collections is staffed by 8 full-time positions and is responsible for receiving and processing tax payments, data entering tax information from all returns received by the Division, reconciling tax revenues, and maintaining the IEAD's tax accounting system (masterfile).

Accounting and Collections is responsible for processing payments which includes data capturing payment information into the masterfile and reconciling activity to deposit summary information. The Unit also posts assessments for additional taxes and penalties into masterfile.

Accounting and Collections generates management reports as a part of its reconciliation process and for identifying exception items. Special reports are generated for Division staff upon request.

Accounting and Collections is responsible for enforcement of delinquent accounts. Enforcement includes contacting taxpayers for payment and taking appropriate actions

to collect delinquencies such as filing liens and levying taxpayer assets.

In conjunction with provisions for the Constitutional Budget Reserve Fund, Accounting and Collections is responsible for accounting for oil and gas settlement payments received by the state. The Unit receives payment characteristic forms from oil and gas agencies which direct how payments are to be allocated between different funds. The Unit maintains a database of all settlement payments which accounts for the nature of each payment and the different funds to which the payment was allocated. The Unit issues monthly reports summarizing total amounts deposited in each fund.

Examination and Licensing

Examination and Licensing is staffed by 12 full-time positions and responsible for examining selected returns with a tax deficiency or refund/credit request and issuing licenses to taxpayers. As part of the examination process, examiners generate assessments for additional taxes and penalties due.

The Unit is comprised of two examination sections: **Corporation Tax** and **Fish and Excise Tax.**

Corporation Tax is responsible for processing and examining corporation net income tax returns. In addition to the corporation returns, the unit receives partnership and other miscellaneous information returns.

Corporation Tax examines returns based on priority criteria which include large dollar tax liabilities, large refund/credit claims and returns identified from exception listings (primarily accounts with masterfile balances differing from return information).

Organization

Corporation Tax is responsible for updating the corporation tax return form to reflect changes in federal and Alaska tax laws and is responsible for mailing the return forms to corporate taxpayers on file with the division. The Section maintains corporation tax return files, taxpayer correspondence and estimated payment documents with a retention schedule of three years. Returns and related documents older than three years are archived each year.

Fish and Excise Tax is responsible for processing and examining returns other than corporation returns and for licensing taxpayers.

The section licenses fisheries businesses who process or export fisheries resources from the state. As part of the licensing function, the Unit accounts for cash prepayments and other forms of security submitted by businesses to secure their tax liabilities as required by statutes.

On July 1, 1993 the Section assumed responsibility for the fish processor and buyer bonding program which was previously administered by the Alaska Department of Labor. This program was integrated into the fisheries licensing program to increase efficiency in the overall administration of both programs.

Fish and Excise Tax is responsible for administering the following licensing programs: motor fuel (qualified dealers), mining, alcoholic beverages and tobacco.

The Section issues refunds to persons who purchased and paid tax on motor fuel but used the fuel for off-highway or exempt purposes.

Fish and Excise Tax prepares an annual report for the Department of Commerce and Economic Development to report

salmon enhancement tax data which is used for determining appropriations to regional aquaculture associations. The Section also includes data in the report relating to the location where the salmon was purchased versus where caught.

Fish and Excise Tax semi-annually prepares a wholesale canned salmon report required under AS 43.80.050. The report includes data for the periods April through September and October through March and is distributed to legislators, processors and other agencies.

Fish and Excise Tax is responsible for receiving and processing coin-operated device tax returns. As part of this program, tax receipts are issued to each taxpayer as required under statutes.

Effective January 1, 1994, the Fish and Excise Tax implemented the new fishery resource landing tax. First year returns for calendar year 1994 are due in spring of 1995.

Compliance

Compliance Unit was established in October 1993. The Unit is responsible for securing returns from businesses and individuals required to file tax returns.

Compliance compares data from other agencies, such as IRS and Alaska Department of Commerce and Economic Development, against IEAD files to identify potential taxpayers.

Compliance administers the nonresident affidavit program under AS 43.10.160. This program requires nonresident corporations to report and secure estimated tax liabilities for each year. The program was integrated into the Compliance Unit to facilitate identification of corporations with Alaska tax filing requirements.

Shared Taxes

Shared Taxes is responsible for sharing certain taxes and fees to municipalities in accordance with statutory requirements. Shared Taxes accounts for revenues subject to sharing and periodically issues warrants to communities for their portion of revenues subject to sharing.

The following taxes and fees are subject to sharing:

- Fisheries Business Tax*
- Fishery Resource Landing Tax*
- Aviation Motor Fuel Tax*
- Coin-Operated Device Tax*
- Electric Cooperative Tax*
- Telephone Cooperative Tax*
- Liquor License Fees*

Amounts are shared based on the source of where the tax or fee was derived.

During FY 94, Shared taxes issued \$20.3 million in warrants to 121 Alaska communities. IEAD publishes an annual report summarizing amounts shared by community. This report is distributed to the legislature, municipal officials and public.

Fisheries business and fishery resource landing tax statutes provide for additional sharing to municipalities based on fisheries activities within them. Under this program, 50% of fisheries tax revenues not previously subject to sharing are shared through allocation with municipalities statewide. IEAD transmits the additional sharing amount to Department of Community and Regional Affairs (DCRA) who is responsible for allocating monies to municipalities based on a formula as specified under DCRA regulations.

Unclaimed Property

Unclaimed Property is responsible for administering the state's unclaimed property program under AS 34.45. During the fiscal year, the Unit relocated from the Department of Labor Building to the State Office Building.

Unclaimed property is a fiduciary program which requires that the state hold in trust personal and intangible property presumed to be abandoned or unclaimed as defined under AS 34.45. Intangible property includes money, deposits, checks, stocks, bonds, interest, dividends, etc.

Persons holding unclaimed property, or "holders", are required to report and remit property annually to the Unit. Holders are required to make an attempt to locate owners before remitting property to the Unit.

Unclaimed Property attempts to locate persons throughout the year and publishes an annual advertisement each February to notify Alaskans that they have unclaimed property on file with the state. The advertisement generates thousands of inquiries by Alaskans wanting to claim their property.

Because not all unclaimed property owners are located, amounts received from holders exceed refunds to owners. IEAD maintains a minimum balance in the unclaimed property trust account from which refunds are paid and periodically transfers excess funds to the General Fund. Since the program's inception in 1986, the Division has transferred approximately \$9 million to the General Fund.

The Unit maintains an inventory of tangible personal property submitted by holders. The property is stored in a secured vault in Juneau.

Organization

AUDIT COMPONENT

Audit is staffed by 18 full-time positions and is responsible for carrying out the Division's audit activities. During FY 94, IEAD maintained audit field offices in Seattle and Anchorage.

Audit activities cover all tax types administered by IEAD with emphasis placed on oil and gas and large multistate corporation taxpayers. Audit results may be shared with Internal Revenue Service and other states which have exchange of information agreements with the Department.

A significant amount of revenue has been collected by the state as a result of audit activity.

APPEALS COMPONENT

Appeals is staffed by 3 full-time positions located in Juneau. AS 43.05.240, Taxpayer Remedies, is the Department's authorization underlying the aggrieved taxpayer process. Appeals receives taxpayer protests, or appeals, arising from assessments for additional taxes and penalties resulting from IEAD audit or examination activities. Cases are assigned to an appeals officer which initiates the informal conference process.

The appeals officer's function is to review the tax assessment, and develop further facts, information, and argument with relevance to the matters in dispute. A written decision is issued to the taxpayer upon conclusion of the informal conference. If the taxpayer disagrees with the decision, a formal hearing may be requested.

Formal hearings are conducted by Department hearing officers who report directly to the Commissioner. IEAD's appeals officer may present the Division's case at the hearing, including opening and closing arguments, cross examine witnesses and utilize rules of evidence. Legal briefs may be filed by the appeals officer during various stages of the hearing process. A written decision is issued to the taxpayer upon conclusion of the formal hearing. If the taxpayer disagrees with the decision, the case may be appealed to the Alaska Superior Court.

Appeals is also responsible for participating in an alternative resolution, i.e. settlement process. Officers negotiate with taxpayers and make recommendations to management and the Attorney General's office.

RESEARCH COMPONENT

Research is staffed by 1 full-time position located in Juneau and is responsible for monitoring and forecasting the state's General Fund revenues. Research works with other state agencies to compile information for the *Revenue Sources Book*, a semi-annual publication which contains historical and forecasted revenue information.

Research monitors state and national economic conditions and conducts research needed to anticipate economic and business trends that affect tax revenue.

**TAX PROGRAM
DETAIL**

Table 4 - Revenue Collections Detail

	FY 94	FY 93	FY 92
CORPORATION NET INCOME			
General Fund			
Current Year Tax Before Credits			
Regular Corporations	\$ 44,438,292	\$ 25,549,028	\$ 36,519,357
Oil and Gas Corporations	50,455,794	117,618,112	118,037,309
Less Alaska Education Credit	(793,783)	(469,178)	(95,250)
Total Current Year	94,100,303	142,697,962	154,461,416
Payments (Refunds) from Amended Returns	(32,343,616)	84,462,020	1,947,249
Total Receipts - General Fund	61,756,687	227,159,982	156,408,665
Constitutional Budget Reserve (CBRF)			
Chapter 20 - Worldwide Apportionment	32,048,325	555,371,360	1,836,347
Chapter 21 - Separate Accounting	81,690,758	89,723,154	41,778,133
Total Receipts - CBRF	113,739,083	645,094,514	43,614,480
Total Receipts - All Funds	\$175,495,770	\$872,254,496	\$200,023,145
MOTOR FUEL			
Highway	36,274,833	38,703,424	40,127,477
Aviation	9,088,513	9,566,039	10,718,058
Marine	8,369,921	9,011,190	9,369,890
Penalties and Interest	59,111	55,397	72,567
Less Timely Filing Deductions ¹	(64,824)	(65,037)	(61,643)
Gross Receipts	53,727,554	57,271,013	60,226,349
Less Claims for Refund	(13,220,781)	(16,528,105)	(16,979,666)
Total Receipts	40,506,773	40,742,908	43,246,683
Less Aviation Fuel Tax Shared	(109,852)	(116,796)	(110,166)
Amount Retained by State	\$40,396,921	\$40,626,112	\$43,136,517
¹ Taxpayers may deduct lesser of 1% of tax due or \$100 if return is timely filed (AS 43.40.010)			
FISHERIES BUSINESS			
Established			
Shore-based	16,395,401	22,549,210	13,583,954
Floating	12,637,377	13,100,428	11,189,986
Cannery	4,109,362	5,138,902	3,990,951
Developing			
Shore-based	26,598	200,628	1,137,683
Floating	905	31,052	221,111
1994 Prepayments	1,048,143	1,175,517	1,833,028
Penalties and Interest	93,399	341,128	280,179
Fisheries Business License Fees	15,275	14,425	13,100
Total Tax Before Credits	34,326,460	42,551,290	32,249,992
Less Credits			
Winn Brindle	(398,876)	(367,458)	(311,745)
Fisheries Business	0	(17,423)	(1,769,550)
Alaska Education	(500)	(575)	0
Total Receipts	33,928,444	42,165,834	30,163,697
Less Fisheries Tax Shared			
Department of Revenue	(16,344,252)	(20,895,923)	(14,617,512)
Department of Community and Regional Affairs	(837,572)	(675,507)	N/A
Amount Retained by State	\$16,746,620	\$20,594,404	\$15,551,185

Table 4 - Revenue Collections Detail

	FY 94	FY 93	FY 92
TOBACCO			
Cigarette	15,548,201	15,643,756	15,946,650
Tobacco Products	1,403,775	1,223,616	1,184,040
Penalties and Interest	2,937	8,707	13,070
Less 1% Deductions ¹	(166,910)	(165,271)	(171,297)
Total Receipts	16,788,003	16,710,808	16,972,464
Less Amount Transferred to School Fund	(2,654,890)	(2,668,122)	(2,721,688)
Amount Retained in General Fund	\$14,133,113	\$14,042,686	\$14,250,776
¹ Taxpayers may deduct 1% of tax due (AS 43.50.090)			
ALCOHOLIC BEVERAGES			
Liquor	6,129,284	6,159,754	6,332,885
Beer	4,769,868	4,643,698	4,695,065
Wine	1,056,462	1,095,353	1,006,228
Total Receipts	\$11,955,614	\$11,898,804	\$12,034,178
SALMON ENHANCEMENT			
Aquacultural Region			
Southern Southeast	1,813,247	1,805,983	1,310,027
Northern Southeast	1,088,658	1,133,843	891,518
Kodiak	796,821	852,676	751,946
Cook Inlet	610,053	1,957,437	339,692
Prince William Sound	434,271	656,014	571,389
Chignik	196,101	304,370	227,264
Total Aquacultural Regions	4,939,151	6,710,323	4,091,836
Penalties and Interest	15,064	35,512	62,304
Total Receipts	\$4,954,215	\$6,745,835	\$4,154,140
APUC REGULATORY COST CHARGES			
(Program Effective 11/1/92)			
Electric Utilities	1,815,175	1,084,080	N/A
Telephone Utilities	1,028,825	503,888	
Other Utilities	968,426	550,337	
Pipeline Carriers	444,702	241,077	
Penalties and Interest	13,595	959	
Total Receipts	\$4,270,723	\$2,380,341	
SALMON MARKETING			
(Tax Effective July 1, 1993)			
Tax Receipts	3,011,895	N/A	N/A
Penalties and Interest	7,048		
Total Receipts	\$3,018,943		
SEAFOOD MARKETING ASSESSMENT			
Seafood Marketing Assessments	2,718,316	3,535,259	2,725,796
Penalties and Interest	6,909	27,988	17,434
Total Receipts	\$2,725,225	\$3,563,247	\$2,743,230

Table 4 - Revenue Collections Detail

	FY 94	FY 93	FY 92
ESTATE			
Total Receipts	<u>\$1,616,313</u>	<u>\$918,402</u>	<u>\$1,029,064</u>
ELECTRIC COOPERATIVE			
Total Receipts	1,355,282	1,275,532	1,291,865
Less Cooperative Taxes Shared	<u>(1,286,917)</u>	<u>(1,206,324)</u>	<u>(1,224,686)</u>
Amount Retained by State	<u>\$68,365</u>	<u>\$69,208</u>	<u>\$67,179</u>
TELEPHONE COOPERATIVE			
Total Receipts	1,253,906	903,378	808,807
Less Cooperative Taxes Shared	<u>(1,213,665)</u>	<u>(861,372)</u>	<u>(770,933)</u>
Amount Retained by State	<u>\$40,241</u>	<u>\$42,006</u>	<u>\$37,874</u>
ALASKA BUSINESS LICENSE			
Total Receipts	<u>\$573,629</u>	<u>\$0</u>	<u>\$0</u>
MINING LICENSE			
General Fund			
Current Year Tax Before Credits	311,894	564,140	464,857
Less Alaska Education Credit	<u>(150,000)</u>	<u>(150,000)</u>	<u>(3,100)</u>
Total Receipts - General Fund	<u>161,894</u>	<u>414,140</u>	<u>461,757</u>
Total Receipts - CBRF	<u>7,491</u>	<u>11,467</u>	<u>3,396</u>
Total Receipts - All Funds	<u>\$169,385</u>	<u>\$425,607</u>	<u>\$465,153</u>
FISHERY RESOURCE LANDING (Tax Effective January 1, 1994)			
Total Receipts (Estimated Payments)	<u>\$102,424</u>	<u>N/A</u>	<u>N/A</u>
COIN-OPERATED DEVICES			
Tax Receipts	94,891	106,361	107,352
Penalties and Interest	614	1,833	498
Total Receipts	<u>95,505</u>	<u>108,194</u>	<u>107,850</u>
Less Device Tax Shared	<u>(47,161)</u>	<u>(48,289)</u>	<u>(51,881)</u>
Amount Retained by State	<u>\$143,849</u>	<u>\$168,099</u>	<u>\$163,818</u>
INDIVIDUAL INCOME			
Total Receipts	<u>\$16,000</u>	<u>\$16,460</u>	<u>\$237,716</u>
CIGARETTE LICENSE FEES (Deposited Directly to School Fund)			
Total Receipts	<u>\$3,435</u>	<u>\$3,760</u>	<u>\$3,545</u>

Tax Program Detail

Alcoholic Beverages Tax **AS 43.60**

Description

The alcoholic beverages tax is levied on alcoholic beverages sold in or transferred into Alaska. Alcoholic beverages taxes are collected primarily from wholesalers and distributors.

Rate

	<i>Per Gallon</i>
Liquor	\$5.60
Wine	\$.85
Beer	\$.35

Returns

Returns are filed monthly and due with payment of taxes by the last day of the month following the month in which sales were made.

Exemptions

Sales to facilities operated by one of the uniformed services of the United States are exempt.

Disposition of Revenue

All revenue derived from the alcohol beverages tax is deposited in the General Fund.

History

The alcohol beverages tax dates back to 1933 when a tax on beer and wine was enacted at a rate of 5¢ per gallon. Alcohol tax returns were required to be filed monthly.

In 1937, the territorial legislature enacted a tax on liquor at a rate of 50¢ per gallon. The rate for wine increased to 15¢ per gallon.

Since 1937, minor changes to statutes were made, however, rates were increased significantly in keeping with rate changes made by other states over time, though no changes have been made since 1983.

Alcoholic beverages tax rates have changed as follows.

	<i>Per Gallon</i>
<i>Liquor</i>	
1937	\$.50
1941	\$1.00
1945	\$1.60
1946	\$2.00
1947	\$3.00
1957	\$3.50
1961	\$4.00
1983	\$5.60
<i>Wine</i>	
1933	\$.05
1937	\$.15
1947	\$.25
1957	\$.50
1961	\$.60
1983	\$.85
<i>Beer</i>	
1933	\$.05
1947	\$.10
1957	\$.25
1983	\$.35

FY 94 Statistics

Tax Collections	\$11,955,614
Number of Returns	156
Number of Taxpayers	13

	<i>Taxable Gallons Sold</i>
Beer	13,628,188
Wine	1,242,897
Liquor	1,094,515

Coin-Operated Devices Tax **AS 43.35**

Description

The coin-operated devices tax is levied on entertainment and amusement devices, such as video game machines, billiards, jukeboxes and pinball machines which are operated by coin or token. Coin-operated devices taxes are collected primarily from businesses which place machines in their establishments.

Tax Program Detail

Rate

Each coin-operated device in operation is taxed based on its classification as defined under statutes as follows:

Type	Per Year
Class 1	\$48
Class 2	\$120
Class 3	\$240

Class 1 devices include video and pinball games, billiards, jukeboxes and other similar amusement and gaming devices.

Class 2 devices include coin-operated bingo and gambling machines which release free plays. These devices are illegal under Alaska law.

Class 3 devices include slot machines and other gambling machines which provide for a cash payout. These devices are illegal under Alaska law.

Coin-operated devices taxes are prorated by month for machines placed in operation after January of each year.

Returns

Taxpayers file returns for machines which will be operated during the following year. Returns are due with payment of taxes by December 31 each year.

Taxpayers are required to file returns and pay prorated taxes prior to installation for machines placed in operation during the year.

Disposition of Revenue

All revenue derived from coin-operated devices taxes is deposited in the General Fund.

Fifty percent of taxes sourced from machines placed in municipalities are shared to respective municipalities on an annual basis by the Department.

History

The coin-operated devices tax dates back to 1941. The tax was 12½% of gross receipts of the machine.

In 1946, the coin-operated device tax was replaced with a fee and a stamp was issued for each machine. Provisions for quarterly returns and sharing 50% of revenue were adopted.

In 1947, provisions for the fee were repealed and the tax restored. The territorial legislature adopted the following rates: amusement devices \$50; and gaming devices \$200 per year.

In 1949, provisions for prorating taxes on a quarterly basis were adopted.

In 1960, the present tax structure and rates were adopted and the filing basis was changed to calendar year.

FY 94 Statistics

Tax Collections	\$95,505
Number of Returns	358
Number of Taxpayers	329

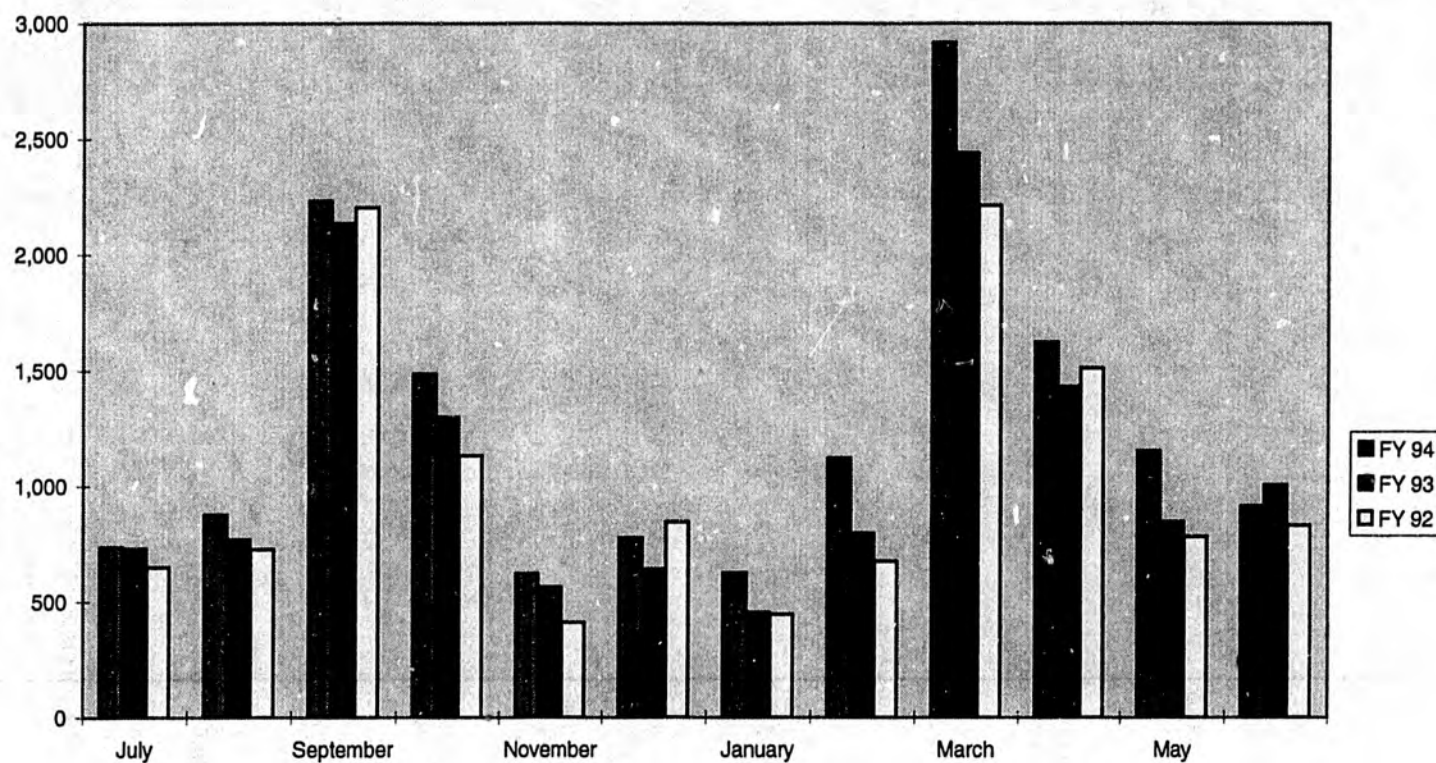
Corporation Net Income Tax AS 43.20

Description

The corporation net income tax is imposed on net income of corporations deriving income from sources within Alaska. Corporations compute their tax liability based on federal taxable income with adjustments for Alaska activity.

Alaska uses an apportionment method to determine the portion of income that is taxable in the state. Corporations apportion their income to Alaska by using a three-factor formula based on sales, property and payroll. The apportionment factor is applied to federal taxable income to determine Alaska taxable income. A corporation engaged in business solely in Alaska computes its tax liability on 100% of its taxable income.

Table 5 - Corporation Tax Return Filing Activity
For Fiscal Years 1992, 1993 and 1994



Fiscal Year	FY 94	FY 93	FY 92
Total Returns Filed	15,070	13,101	12,343

Tax Program Detail

Multi-state corporations apportion income to Alaska under a "water's edge" apportionment method which is based on domestic operations. Oil and gas corporations apportion income based on worldwide operations.

Rate

Corporation tax rates are graduated from 1% to 9.4% in \$10,000 increments of Alaska taxable income. The maximum of 9.4% applies to income over \$90,000.

Returns

Returns are filed annually based on the corporation's fiscal year. Payment of taxes is due two and a half months from the close of the fiscal year. The payment due date may not be extended.

Returns are due three and a half months after the close of the fiscal year. Corporations may extend their filing due date by six months.

Example: The filing due date for calendar year corporations in April 15. Corporations may extend their filing due date to October 15. In any case, payment is due March 15.

Corporations make quarterly estimated tax payments based on past activity and the current year's accrued tax liability.

Exemptions

Insurance companies, which are required to pay an insurance premiums tax under AS 21.66.110, and corporations recognized under Subchapter S of the Internal Revenue Code are exempt from corporation net income taxes.

Electric and telephone cooperatives, which are required to pay cooperative taxes under AS 10.25, are also exempt.

Credits

Education - Taxpayers who make contributions for educational purposes to Alaska universities or colleges may take a

nonrefundable tax credit for the amount of contributions not to exceed \$150,000.

Disposition of Revenue

Revenue derived from corporation net income taxes is deposited in the General Fund except as noted below.

For oil and gas corporations only, revenue received subsequent to an assessment issued by the Department is deposited in the Constitutional Budget Reserve Fund.

History

The corporation net income tax dates back to 1949 when the territorial legislature enacted the "Alaska Net Income Tax Act". The Act imposed a flat tax of 10% of the corporation's federal income tax liability.

In 1963, the tax rate was increased to 16% of the corporation's federal income tax liability.

In 1975, the Alaska legislature repealed the original income tax act and enacted an income tax act based on taxable income rather than federal tax liability. The tax was equal to 5.4% of taxable income with a surtax of 4% based on federal surtax exemptions. For 1975, the federal surtax exemption was \$50,000.

In 1978, the Alaska legislature enacted a bill requiring oil and gas corporations to calculate taxable income based on a "separate accounting" method which required that the corporations account for Alaska activity only in determining taxable income (AS 43.21).

In 1981, separate accounting (AS 43.21) was repealed and the modern corporation tax rate structure was adopted (1% - 9.4%). With repeal of AS 43.21, all corporations file returns using worldwide combined reporting and use the same tax rate structure.

In 1987, the Alaska education credit was authorized. The maximum credit was \$100,000.

Tax Program Detail

In 1991, the Alaska legislature enacted a bill authorizing corporations, except for oil and gas corporations, to calculate taxable income based on "water's edge" (U.S. domestic income) combined reporting method. Oil and gas corporations continue to use worldwide combined reporting method. Also, the Alaska education credit calculation method was restructured and the maximum was increased to \$150,000.

FY 94 Statistics

Tax Collections	\$61,756,687
Number of Returns	15,070
Number of Taxpayers	13,641

<i>Return Type</i>	<i># Filed</i>
Subchapter C	7,163
Subchapter S	4,106
Inactive	1,358
Loss Carryback	543
Amended	515
Exempt Organizations	477
Homeowners	357
IRS Audit Adjustment	382
Other	169
Total	<u>15,070</u>

Electric Cooperative Tax **AS 10.25.555**

Description

The electric cooperative tax is based on kilowatt hours furnished by qualified electric cooperatives recognized under AS 10. Taxes are collected from cooperatives.

Rate

The electric cooperative tax is based on a mill rate depending on the length of time in which the cooperative has furnished electricity to consumers as follows:

<i>Length</i>	<i>Rate</i> <i>Per kWh</i>
Less than 5 years	.25 mill
5 years or longer	.5 mill
<i>(1 mill = .1¢)</i>	

Returns

Electric cooperatives file calendar year returns which are due with payment before March 1 of the following year.

Exemptions

All electric cooperatives are subject to the cooperative tax. The electric cooperative tax is paid in lieu of corporation income taxes.

Disposition of Revenue

All revenue derived from electric cooperative taxes is deposited in the General Fund.

Electric cooperative taxes sourced from municipalities are shared 100% to respective municipalities.

Electric cooperative taxes sourced from outside of municipalities are retained by the state.

History

The electric cooperative tax dates back to 1959 when the first Alaska legislature enacted the "Electric and Telephone Cooperative Act" to promote cooperatives around the state. The original electric cooperative tax was based on gross revenue and due by April 1 of the following year. The tax rate was based on the length of time in which the cooperative had provided electricity to consumers.

In 1960, the due date for paying taxes was changed to March 1.

In 1980, the tax base for calculating the electric cooperative tax was changed from gross revenue to kilowatt hours. Mill rates as they exist today were also adopted.

FY 94 Statistics

Tax Collections	\$1,355,282
Number of Returns	16
Number of Taxpayers	16

Estate Tax

AS 43.31

Description

The estate tax is levied on the transfer of property in Alaska from an estate.

Rate

The Alaska estate tax is the amount of state credit allowed on the estate's federal return.

Returns

Estates are required to file returns and pay taxes within 15 months from the decedent's date of death.

The tax due date may be extended in one-year increments, not to exceed 5 years. Interest accrues on the amount of tax due during the extension period. The return due date may be extended for up to 15 years.

Exemptions

Estates under \$600,000 are generally exempt from paying estate taxes taking into consideration the unified estate tax credit allowed under the Internal Revenue Code.

Disposition of Revenue

All revenue derived from estate taxes is deposited in the General Fund.

History

The estate tax dates back to 1919 when the territorial legislature adopted a tax on inheritances and transfers of property from estates. Tax rates varied from 1% to 17.5% of the property's value and were dependent on variable factors which were changed over the years.

In 1970, the Alaska legislature repealed the inheritance and transfer tax statutes and enacted the estate tax. The estate tax statutes tied to the state credit under Internal Revenue Code estate tax laws.

FY 94 Statistics

Tax Collections	\$1,616,313
Number of Returns	42
Number of Death Certificates Issued	502

Fisheries Business Tax

AS 43.75

Description

The fisheries business tax is levied on fisheries that are processed within or exported from Alaska. The tax is based on the value of fisheries when purchased from commercial fishers or fair market value when there is no arms length transaction. Fisheries business taxes are collected primarily from licensed processors and persons who export fisheries from Alaska.

Rate

Fisheries business tax rates are based on processing activity, whether in or outside of the state, and whether a fishery resource is classified as "established" or "developing" by the Alaska Department of Fish and Game. Rates are as follows:

<i>Processing Activity</i>	<i>Rate</i>
Established	
Floating	5%
Salmon Cannery	4.5%
Shore-based	3%
Developing	
Floating	3%
Shore-based	1%

Returns

Fisheries businesses file calendar year returns which are due with payment on March 31 of the following year.

Taxpayers are required to file returns for post-season (bonus) payments made to fishers after the the calendar year return is filed. Returns for these payments are due with additional taxes by the last day of the month following the payment.

Tax Program Detail

Exemptions

Commercial fishers which process fisheries to maintain its quality before being sold to a licensed processor are exempt.

Credits

Education - Taxpayers who make contributions for educational purposes to Alaska universities or colleges may take a nonrefundable tax credit for the amount of contributions not to exceed \$150,000.

Scholarship Contributions - Taxpayers who make contributions to the A.W. "Winn" Brindle memorial scholarship account may take a nonrefundable tax credit for the amount of contributions not to exceed 5% of their tax liability.

Disposition of Revenue

All revenue derived from the fisheries business tax is deposited in the General Fund.

For taxes sourced from processing activities within a municipality, 50% of the taxes are shared to respective municipalities in which processing took place. If a municipality is within a borough, the 50% amount to be shared is generally split equally between the municipality and borough.

For taxes sourced from processing activities outside a municipality (unorganized borough), 50% of the taxes are shared through an allocation program administered by the Alaska Department of Community and Regional Affairs.

History

The fisheries business tax is the oldest tax in Alaska. In 1899, the U.S. Congress adopted a "salmon case" tax to fund fisheries-related activities in pre-territorial Alaska.

After passage of the Organic Act in 1912, which established an organized territorial government in Alaska, the First Territorial

Legislature adopted fisheries taxes in 1913 as follows: "salmon pack" tax which applied to salmon canneries based on canned salmon (7¢ per case); and "cold storage" tax which applied to other fisheries and was based on business receipts. Over the years between 1913 and 1949, the tax was amended several times by changing tax rates and expanding the tax base to include different fisheries.

In 1949, the territorial legislature restructured the fisheries business tax to be based on value of the fisheries rather than volumes, i.e. per case, or business receipts. The new "raw fish" tax applied to canneries only (salmon 4%, crab and clams 2%, and other 1% of value).

In 1951, the legislature enacted a tax on floating processors at 4% of value. The tax rate for salmon canneries was increased to 6%. Also, licensing requirements for fisheries businesses was enacted. The license fee was established at \$25.

In 1962, the Alaska legislature adopted provisions for sharing taxes (10%) and requiring calendar year returns for all businesses.

In 1967, the tax rate on salmon canneries was amended to 3% and provisions for security as part of licensing was adopted.

In 1979, the legislature adopted the modern tax structure with different tax rates for established and developing species. Also the shared tax percentage increased to 20%.

In 1981, the shared tax percentage was increased to 50%.

In 1986, the Alaska legislature authorized the fisheries business tax credit program which provided for a tax credit of up to 50% fisheries business taxes due. Under the credit program, processors were allowed a tax credit for capital expenditures associated with constructing and improving shore-side processing operations. The tax credit

program was effective for tax years 1987 through 1989 with a carryforward provision through 1991. Approximately \$47.5 million of credits were claimed under this program.

Also, in 1986 the Winn Brindle scholarship credit was enacted allowing for a credit of up to 5% of fisheries business taxes due.

In 1987, the Alaska education tax credit program was enacted allowing for a tax credit up to \$100,000 against fisheries business taxes due.

In 1990, the Alaska legislature enacted provisions for assessing civil penalties up to \$5,000 for each infraction of processing without a license. Penalties may be assessed progressively in increments of up to \$5,000 up to a maximum of \$25,000 for the fifth and subsequent assessments.

In 1991, the Alaska education credit was restructured and the maximum amount was increased to \$150,000.

In 1992, the legislature enacted a provision which authorized sharing 50% of taxes sourced from processing activities in the unorganized borough.

FY 94 Statistics

Tax Collections	\$33,928,444
Number of Returns	654
Number of Taxpayers	603

Fisheries Business Licenses Issued

Floating	285
Shore-based	242
Exporter	76
Total	<u>603</u>

Civil Penalties Assessed

	#
First Offense	24
Second Offense	1
Third Offense	1

Fishery Resource Landing Tax **AS 43.77**

Description

The fishery resource landing tax is levied on processed fishery resources landed in Alaska. Fishery resource landing taxes are collected primarily from factory trawlers and floating processors which process fishery resources outside of the state's 3-mile limit and bring their products into Alaska for transshipment.

Rate

The fishery resource landing tax is 3.3% of the value of the fishery resource landed in Alaska. The value is determined by multiplying the unprocessed weight by the unprocessed value based on Alaska Department of Fish and Game or other information available to Department of Revenue.

Returns

Returns are filed on a calendar year basis and are due with final payment of tax before April 1 of the following year. Taxpayers generally make quarterly estimated tax payments which are due on the last day of each calendar quarter.

An automatic extension of time to file the fishery resource landing tax is granted by Department of Revenue if the value of the unprocessed fishery resource is not provided to taxpayers at least 30 days prior the April 1 due date. The automatic extension is the last day of the month following the month in which value information was provided.

Exemptions

Unprocessed fishery resources landed in the state are exempt from the fishery resource landing tax, although they are subject to the fisheries business tax.

Credits

CDQ - Taxpayers who harvest a fishery resource under a community development quota (CDQ) may claim a credit of up to

Tax Program Detail

45.45% of fishery resource landing taxes for contributions to Alaska nonprofit corporations that are dedicated to fisheries industry-related expenditures.

Other Taxes - Fishery resources for which taxes were paid to another jurisdiction are subject to a credit against the fishery resource landing tax. The credit, equal to the amount of taxes paid in the other jurisdiction, may not exceed the fishery resource landing tax.

Disposition of Revenue

All revenue derived from the fishery resource landing tax is deposited in the General Fund.

Revenue from the .3% portion of the tax is accounted for separately and may be appropriated by the legislature to fund the Alaska Seafood Marketing Institute. Revenue from the 3% portion may be appropriated by the legislature for revenue sharing as follows.

For taxes sourced from landings within a municipality, 50% of the taxes are shared to respective municipalities in which processing took place. If a municipality is within a borough, the 50% amount to be shared is generally split equally between the municipality and borough.

For taxes sourced from landings outside a municipality (unorganized borough), 50% of the taxes are shared through an allocation program administered by the Alaska Department of Community and Regional Affairs.

History

The Alaska legislature enacted the fishery resource landing tax in 1993. The tax became effective January 1, 1994. Department of Revenue adopted regulations regarding administration of the tax. Regulations took effect April 20, 1994.

Mining License Tax **AS 43.65**

Description

The mining license tax is imposed on mining net income and royalties received in connection with mining properties in Alaska. Mining license taxes are primarily collected from businesses engaged in mining in the state.

Rate

<i>Mining Net Income</i>	<i>Rate</i>
\$0 - 40,000	No Tax
\$40,001 - \$50,000	3% of Net Income
\$50,001 - \$100,000	\$1,500 plus 5% over \$50,000
Over \$100,000	\$4,000 plus 7% over \$100,000

Returns

Returns are filed annually based on the mining business' fiscal year. Returns and payment of tax are due before the first day of the fifth month after the close of the fiscal year.

Exemptions

Except for sand and gravel operations, all new mining operations are exempt from the mining license tax for a period of 3½ years after production begins.

Credits

Education - Taxpayers who make contributions for educational purposes to Alaska universities or colleges may take a nonrefundable tax credit for the amount of contributions not to exceed \$150,000.

Disposition of Revenue

All revenue derived from the mining license tax is deposited in the General Fund.

History

The mining license tax dates back to 1913 and has been restructured several times over the years. The original mining license tax, enacted in 1913, imposed a .5% tax on

Tax Program Detail

mining net income over \$5,000. There was no tax on net income less than \$5,000.

In 1915, the territorial legislature increased the tax rate to 1%. The tax-free net income base remained at \$5,000.

In 1927, the tax-free net income base was increased to \$10,000 and a three-tier tax rate structure was adopted with rates ranging from 1% to 1.75% for net income over \$1 million.

In 1935, the territorial legislature restructured the tax to a eight-tier tax structure with rates ranging from .75% to 4% for net income over \$1 million. The tax-free net income base was decreased to \$5,000.

In 1937, the tax-free net income base was eliminated and all net income was subject to tax. A nine-tier tax structure was adopted with tax rates ranging from .75% to 8% for net income over \$1 million.

In 1947, the mining license tax was restructured again by reinstating the tax-free net income base (\$1,000) and restructuring the tax rates to a five-tier structure. Tax rates ranged from 4% to 8% for net income over \$100,000.

In 1953, the tax-free net income base was increased to \$10,000 and rates changed to range from 3% to 7% for net income over \$100,000.

In 1955, the rate structure as it exists today was adopted.

In 1987, the Alaska education tax credit program was enacted allowing for a tax credit up to \$100,000 against mining license taxes due.

In 1991, the Alaska education credit was restructured and the maximum amount was

increased to \$150,000.

FY 94 Statistics

Tax Collections	\$176,876
Number of Taxpayers	358
Number of Returns	384

Motor Fuel Tax

AS 43.40

Description

The motor fuel tax is levied on motor fuel sold or transferred within Alaska. Motor fuel taxes are collected primarily from wholesalers and distributors who are licensed as "qualified dealers" with the Department.

Rate

	<i>Per Gallon</i>
Highway	8¢
Marine	5¢
Aviation Gasoline	4.7¢
Jet Fuel	3.2¢

Returns

Returns are filed monthly and are due with payment of tax by the last day of the month following the month in which sales were made. Taxpayers are allowed to deduct 1% of the tax due, limited to a maximum of \$100, to cover expenses of accounting and filing returns.

Exemptions

In addition to sales between qualified dealers, the following end-use sales are exempt from motor fuel tax:

Heating fuel
Federal and state agencies
Foreign flights (jet fuel)
Exports
Power plants/utilities
Charitable institutions
Gasohol (fuel at least 10% alcohol)

Table 6 - Taxable Motor Fuel Gallons Sold in Alaska
For the Fiscal Year Ended June 30, 1994

	Highway		Aviation		Marine		Total
	Gasoline	Diesel	Gasoline	Jet Fuel	Gasoline	Diesel	
Gross Gallons Sold	242,239,341	484,617,925	21,036,094	787,832,165	11,012,232	166,041,952	1,712,779,709
Less Exemptions*	(16,872,591)	(285,914,729)	(491,728)	(544,902,449)	(633,900)	(11,397,441)	(860,212,838)
Fuel Reclassifications	(39,699)	(890,166)	112,847	0	38,013	779,005	0
Total Taxable Gallons	225,327,051	197,813,030	20,657,213	242,929,716	10,416,345	155,423,516	852,566,871
Tax Rate	0.08	0.08	0.04	0.025	0.05	0.05	Variable
Gross Tax	\$18,026,164	\$15,825,042	\$826,289	\$6,073,243	\$520,817	\$7,771,176	49,042,731
Less Off-Highway Refunds							
Gallons Used Off-Highway	2,525,933	137,440,933	0	0	78,467	4,329,300	144,374,633
Refund Rate	(0.06)	(0.06)	N/A	N/A	(0.03)	(0.03)	Variable
Total Off-Highway Refunds	(151,556)	(8,246,456)	0	0	(2,354)	(129,879)	(8,530,245)
Net Tax (Gross Tax Less Refunds)	\$17,874,608	\$7,578,586	\$826,289	\$6,073,243	\$518,463	\$7,641,297	\$40,512,486
Penalties and Interest							59,111
Timely Filing Deductions							(64,824)
Total Collections							\$40,506,773

*Detail of Exemptions (in Gallons)

	Highway		Aviation		Marine		Total
	Gasoline	Diesel	Gasoline	Jet Fuel	Gasoline	Diesel	
Exempt Gallons							
Heating Fuel	18,351	159,085,994	0	65,866	0	0	159,170,211
Federal Government	3,962,488	9,616,851	243,580	81,676,313	87,991	3,066,064	98,653,287
State/Local Government	4,910,825	16,070,299	236,160	163,469	191,659	6,052,185	27,624,597
Charitable Institutions	75,401	501,701	11,988	9,246	6,318	26,930	631,584
Public Utilities	78,813	33,129,343	0	0	0	0	33,208,156
Power Plants	91,530	4,229,318	0	0	0	0	4,320,848
Foreign Flights	0	0	0	338,188,031	0	0	338,188,031
Bonded Jet Fuel	0	0	0	113,648,943	0	0	113,648,943
Exported	7,718,377	60,924,240	0	11,150,581	163,113	2,248,810	82,205,121
Oil and Gas Operations ¹	0	2,356,983	0	0	0	0	2,356,983
Gasohol	0	0	0	0	0	0	0
Other	16,807	0	0	0	184,819	3,452	205,078
Total Exempt Gallons	16,872,591	285,914,729	491,728	544,902,449	633,900	11,397,441	860,212,838
Tax Rate	0.08	0.08	0.04	0.025	0.05	0.05	Variable
Tax Equivalent	\$1,349,807	\$22,873,178	\$19,669	\$13,022,561	\$31,695	\$569,872	\$38,486,783

¹Exemption granted by Department of Revenue as authorized under AS 43.40.100(K) and 15 AAC 40.020(c)(18). This exemption category is for fuel used in conjunction with oil and gas drilling operations and transportation of crude oil in the TransAlaska Pipeline.

Tax Program Detail

Disposition of Revenue

All revenue derived from motor fuel taxes is deposited in the General Fund. Revenue from each category is separately accounted for in IEAD's tax accounting system.

Sixty percent of taxes attributable to aviation fuel sales at municipally owned or operated airports are subject to sharing with respective municipalities.

History

The motor fuel tax dates back to 1945 when a tax of 1¢ per gallon was imposed on all motor fuel. Over time, the legislature enacted separate tax rates for each of the fuel categories as they exist today. Motor fuel tax rates have changed as follows:

Highway	Per Gallon
1945	1¢
1947	2¢
1955	5¢
1960	7¢
1961	8¢
1964	7¢
1970	8¢
Marine	
1945	1¢
1947	2¢
1955	5¢
1957	2¢
1960	3¢
1971	4¢
1977	5¢
Aviation Gasoline	
1945	1¢
1947	2¢
1955	3¢
1968	4¢
1994	4.7¢
Jet Fuel	
1957	1.5¢
1968	2.5¢
1994	3.2¢
Bunker Fuel	
1994*	1¢

*Rate applies only after \$205,000 of taxes attributable to bunker fuel have been collected. Otherwise, the rate is 5¢ per gallon.

FY 94 Statistics

Tax Collections	\$40,506,773
Number of Taxpayers	160
Number of Returns	1,923

Refer to the Table 6 on page 28 for detailed statistics on gallons sold, exemptions and refunds.

Regulatory Cost Charges

AS 42.05.253

AS 42.06.285

Under legislation (Ch 2 FSSLA 92) enacted by the legislature, Department of Revenue is charged with collecting regulatory cost charges (RCC) for the Alaska Public Utilities Commission (APUC). The RCC program took effect November 1, 1992 and will sunset December 31, 1994.

Description

Regulatory cost charges are a user-fees imposed on utilities to fund APUC's costs of regulating utilities and pipeline carriers in Alaska. Charges are passed on to consumers by regulated utilities which collect and remit the charges to IEAD.

Rate

For FY 95, due to the RCC program sunseting on December 31, 1994, APUC required that utilities estimate revenues or sales for the fiscal year and remit RCCs on an annualized basis in one payment due December 1, 1994. The amount due was based on a formula established in APUC regulations.

For FY 94, the following rates applied:

Electric Utilities	\$.000386/kWh
Other Utilities and Pipeline Carriers	.4% of revenues

Returns

Returns are filed quarterly and are due with payment of RCCs on the 30th day following the calendar quarter. Utilities and carriers are also required to file a copy of their returns with APUC.

Tax Program Detail

Exemptions

Utilities not regulated by APUC are exempt from the RCC program.

Disposition of Revenue

All revenue derived from the RCC program is deposited in the General Fund. The legislature may make appropriations from the General Fund to fund APUC based on RCCs collected.

History

The Alaska legislature enacted the RCC program in 1992 which was intended to cover APUC's costs of regulating utilities. Rates went into effect through regulations which became effective November 1, 1992.

Rates for FY 93 were as follows:

Electric Utilities	\$.000626/kWh
Other Utilities and	
Pipeline Carriers	.653% of revenues

Rates were higher in FY 93 to compensate for costs incurred by APUC prior to the rates' November 1 effective date.

FY 94 Statistics

Total RCC Collections	\$4,270,723
Number of Taxpayers	104
Number of Returns	407

Salmon Enhancement Tax AS 43.76

Description

The salmon enhancement tax is an elective tax levied on salmon sold in or exported from established regional aquaculture associations in Alaska. Commercial fishers in each region may elect to pay a 1%, 2% or 3% tax based on the value of salmon sold in or exported from that region. Salmon enhancement taxes are paid to processors at the time of sale or paid

directly to the Department for salmon exported from the region. Processors remit taxes to the Department which are collected from fishers.

Rate

Commercial fishers elected tax rates for the regional aquaculture associations listed below:

Region	Rate	Effective
Southern Southeast	3%	1980
Northern Southeast	3%	1980
Cook Inlet	2%	1980
Prince William Sound	2%	1985
Kodiak	2%	1989
Chignik	2%	1991

Returns

Returns are filed monthly and are due with payment of tax by the last day of the month following the month in which purchases were made or salmon was exported.

Processors are required to file returns for payments which are made to fishers after the close of the fishing season. Returns for these payments are due with additional taxes by the last day of the month following the payment.

Exemptions

Salmon harvested under a special harvest area permit (typically, salmon harvested by salmon hatcheries) is exempt from the salmon enhancement tax.

Disposition of Revenue

All revenue derived from the salmon enhancement tax is deposited in the General Fund.

Under AS 43.76.025(c), the legislature may appropriate salmon enhancement tax revenue to provide financing for qualified regional aquaculture associations. The legislature has made appropriations to regions which elected the tax.

History

The Alaska legislature adopted the Salmon Enhancement Act in 1980. The Act established statutes authorizing a 2% or 3% tax, upon election by commercial fishers within established aquaculture regions, on salmon transferred to buyers in Alaska. Commercial fishers in Southern and Northern Southeast aquaculture regions elected a 3% tax and Cook Inlet region elected a 2% tax.

In 1981, the legislature amended the Act to subject salmon exported from Alaska to the tax.

In 1985, commercial fishers in the Prince William Sound aquaculture region elected a 2% tax.

In 1989, the legislature amended statutes to allow for a 1% tax. Commercial fishers in the Kodiak aquaculture region elected a 2% tax.

In 1991, commercial fishers in the Chignik aquaculture region elected a 2% tax.

FY 94 Statistics

Tax Collections	\$4,954,215
Number of Taxpayers	68
Number of Returns	692

Salmon Marketing Tax

AS 43.76

Description

The salmon marketing tax is levied on all salmon sold in or exported from Alaska. Commercial fishers pay salmon marketing taxes to processors based on value of the salmon at the time of sale or fair market value when there is no arms length transaction. Taxes are paid directly to the Department for salmon exported from the state. Processors remit taxes collected

from fishers to the Department.

Rate

The salmon marketing tax rate is 1% and is based on the value of the salmon sold or exported.

Returns

Returns are filed monthly and are due with payment of tax by the last day of the month following the month in which purchases were made or salmon was exported.

Exemptions

Salmon harvested under a special harvest area permit (typically, salmon harvested by salmon hatcheries) is exempt from the salmon marketing tax.

Disposition of Revenue

All revenue derived from the salmon marketing tax is deposited in the General Fund.

Under AS 43.76.120(d), the legislature may appropriate salmon marketing tax revenue to the Alaska Seafood Marketing Institute (ASMI) for the purpose of supporting its salmon marketing program. The legislature appropriated funds to ASMI for FY 95 operations based on FY 94 tax collections.

History

The Alaska legislature enacted the 1% salmon marketing tax in 1993 to fund salmon marketing programs administered by ASMI.

The tax became effective July 1, 1993 and will sunset June 30, 1998 unless legislation is passed to extend it.

FY 94 Statistics

Tax Collections	\$3,018,943
Number of Taxpayers	87
Number of Returns	679

Tax Program Detail

Seafood Marketing Assessment AS 16.51.120

Description

The seafood marketing assessment is levied on seafood products purchased in Alaska. Taxes are collected from fisheries processors.

Rate

The seafood marketing assessment is .3% of the value of seafood products purchased in Alaska.

Returns

Processors file calendar year returns which are due with payment of assessments on March 31 of the following year.

Taxpayers are required to file returns for post-season (bonus) payments made to fishers after the calendar year return was filed. Returns for these payments are due with additional assessments by the last day of the month following the payments.

Exemptions

Processors which purchase less than \$50,000 of seafood products during a calendar year are exempt from the assessment.

Disposition of Revenue

All revenue derived from seafood marketing assessments is deposited in the General Fund.

History

Provisions for an elective seafood marketing assessment of .1%, .2% or .3% (elected by large processors in Alaska) was enacted by the Alaska legislature in 1981. In 1981, processors elected a .3% assessment to take effect in calendar year 1982.

FY 94 Statistics

Assessment Collections	\$2,725,225
Number of Tax Returns	369
Number of Taxpayers	76

Telephone Cooperative Tax AS 10.25.550

Description

The telephone cooperative tax is levied on gross revenue of qualified telephone cooperatives under AS 10. Taxes are collected from cooperatives.

Rate

The telephone cooperative tax rate is based on the length of time in which the cooperative has furnished telephone service to consumers as follows:

Length	% of Revenue
Less than 5 years	1%
5 years or longer	2%

Returns

Telephone cooperatives file calendar year returns which are due with payment before March 1 of the following year.

Exemptions

All telephone cooperatives are subject to the cooperative tax. The telephone cooperative tax is paid in lieu of corporation income taxes.

Disposition of Revenue

All revenue derived from telephone cooperative taxes is deposited in the General Fund.

Telephone cooperative taxes sourced from municipalities are shared 100% to respective municipalities.

Telephone cooperative taxes sourced from outside of municipalities are retained by the state.

History

The telephone cooperative tax dates back to 1959 when the first Alaska legislature enacted the "Electric and Telephone Cooperative Act" to promote cooperatives around the state. Telephone cooperative taxes were based on gross revenue and due by April 1 of the following year.

In 1960, the due date for paying taxes was changed to March 1.

FY 94 Statistics

Tax Collections	\$1,253,906
Number of Taxpayers	7
Number of Tax Returns	7

Tobacco Tax

AS 43.50

Description

The tobacco tax is levied on cigarettes and tobacco products which are imported or transferred into Alaska. Tobacco taxes are collected primarily from licensed wholesalers and distributors.

Rate

Cigarettes are taxed at 14.5 mills per cigarette (29 cents per pack).

Tobacco products, which include all tobacco products other than cigarettes, are taxed at 25% of wholesale price.

Returns

Returns are filed monthly and are due with payment of tax by the last day of the month following the month in which sales were made. Taxpayers are allowed to deduct 1% of the tax due to cover expenses of accounting and filing returns.

Exemptions

Sales to facilities operated by one of the uniformed services of the United States or

to Indians within an Indian reservations are exempt.

Disposition of Revenue

The cigarette tax (14.5 mills) is comprised of two components: *base* (pre-statehood) rate of 2.5 mills plus *additional* (post-statehood) rate of 12 mills. Tax and penalty revenue attributable to the 2.5 mills portion is deposited in the School Fund. All other cigarette tax revenue is deposited in the General Fund.

All tobacco products tax revenue is deposited in the General Fund.

All license fees are deposited in the School Fund.

Revenue deposited in the School Fund is dedicated for rehabilitation, construction, repair and associated insurance costs of state school facilities.

History

The tobacco tax dates back to 1949 when a tax was enacted imposing a tax of 3 cents per pack of cigarettes and 2 cents per ounce of tobacco. There were no exemptions provided in the tax legislation.

In 1951, the cigarette tax was increased to 5 cents per pack.

In 1955, the tobacco products tax was eliminated and although the cigarette tax rate remained at 5 cents, it was converted to a millage rate per cigarette (2.5 mills per cigarette). The 1% deduction provision was also enacted.

In 1961, the cigarette tax was increased to 4 mills per cigarette (8 cents per pack). Revenue from the additional 3 cents was dedicated to the General Fund.

In 1977, the legislature exempted military sales from the cigarette tax.

Tax Program Detail

In 1983, Department of Revenue adopted regulations exempting sales of cigarettes to Indians within an Indian reservation from the cigarette tax.

In 1985, the cigarette tax was increased to 8 mills per cigarette (16 cents per pack).

In 1988, the tobacco products tax was enacted imposing a tax at 25% of the product wholesale price.

In 1989, the cigarette tax was increased to 14.5 mills (29 cents per pack).

FY 94 Statistics

Tax Collections	\$16,788,003
License Fee Collections	\$3,435
Number of Taxpayers	51
Number of Returns	513
Number of Taxable	
Cigarettes Sold	1,072,289,724
Total Wholesale Price of	
Tobacco Products Sold	\$5,615,100

Unclaimed Property **AS 34.45**

Description

Intangible and personal property which are abandoned or for which the owner cannot be located are subject to the state's unclaimed property statutes. Under these statutes, holders are required to report and remit unclaimed property to the state.

Unclaimed property is held in trust by the state until the property is claimed by its rightful owner. There is no statute of limitations for owners to claim property.

Most unclaimed property is in the form of cash (checking and savings accounts), stocks and bonds and safe-deposit contents. Other property includes utility deposits, traveler checks and wages.

Each year, Unclaimed Property receives thousands of names of persons who cannot be located by holders. In addition to year-round efforts to locate owners, Unclaimed property attempts to locate owners every winter by publishing their names in major Alaska newspapers.

Owners may file a petition at any time to claim properties held under the unclaimed property program. Upon verification, property is promptly returned to its rightful owner.

Unclaimed Property maintains an inventory of safe-deposit contents and other personal property submitted by holders under this program. Contents are held in a secured vault in Juneau.

The abandonment period, or period of time for which property has remained unclaimed, differs by type of property. Before turning over property to IEAD, holders are required to make reasonable efforts in locating owners.

Following are abandonment periods for property commonly reported under the unclaimed property program.

<i>Type of Property</i>	<i>Years</i>
Safe deposit box contents	1
Utility deposits	1
Wages	1
Life insurance proceeds	2
Customer overpayments	5
Savings/Checking accounts	7
Stocks and bonds	7
Travelers checks	15

Reports

Most holders are required to report unclaimed property by November 1 each year. While holders may remit properties with their November 1 report, they are not required to remit properties until the following May 1.

Tax Program Detail

Exemptions

The following properties are exempt from the unclaimed property program.

Unused airline tickets
Unemployment compensation overpayments
Permanent fund dividends
ANCSA (Native) corporation stocks

Disposition of Funds

All funds received through the unclaimed property program are deposited into the Unclaimed Property Trust account in the General Fund.

Because not all unclaimed property owners are located, amounts received from holders exceed refunds to owners. IEAD maintains a minimum balance in the trust account and periodically transfers excess funds to the General Fund. Since the program's inception, IEAD has transferred approximately \$9 million to the General Fund.

History

In 1986, the Alaska legislature adopted the Uniform Unclaimed Property Act which went into effect September 7, 1986. Stocks issued by corporations organized under ANCSA were exempted from unclaimed property statutes.

In 1988, unused airline tickets were exempted retroactive to September 7, 1986.

In 1989, overpaid contributions by employers to the unemployment compensation fund were exempted retroactive to September 7, 1986.

In 1992, as part of the 1992 Budget Act (Ch 405 SLA 92), IEAD was ordered to privatize the unclaimed property program effective July 1, 1992. The program was not privatized because vendor proposals to

a Request for Proposals issued by IEAD exceeded the state's budgeted costs for administering the program.

Also in 1992, permanent fund dividends were exempted effective April 1, 1992.

FY 94 Statistics

	<i>FY 94</i>	<i>FY 93</i>	<i>FY 92</i>
Reports Received	1,642*	2,826	1,946
Owners Reported	15,675	15,187	15,028
Owner Inquiries	5,256	4,286	3,951
Owners Refunded	1,330	1,363	1,386
Amounts Refunded	\$423,200	\$337,000	\$265,800

* Reflects holders reporting and remitting unclaimed property simultaneously, a national trend. In effect, we received one report rather than two as previously received.

Account Balance *As of June 30, 1994*

Beginning Balance as of 6/30/93	\$1,033,477
Prior Year Adjustment*	95,268
Adjusted Beginning Balance	1,128,745

Add Deposits 1,909,025

Less Transfers and Refunds	
Transfer to General Fund	1,905,800
Refunds	430,901
Transfer to Other States	319,420
Total Transfers and Refunds	(2,656,121)

Ending Balance as of 6/30/94 \$ 381,649

* Amount of deposits and activity posted during the FY 93 reappropriation period (July/August 1993) which were not reported in our FY 93 Annual Report.

Audit Program

Audit placed emphasis on accelerating the closure of open audit cases for tax years dating back to the mid-1980s, primarily oil and gas corporation tax cases. As part of its ongoing audit program, Audit focused on enhancing audit selection criteria to identify returns with maximum potential audit gains.

Tax Program Detail

As a result, significant additional revenue was collected by the state during FY 94. While not as high as FY 93, when an extraordinary \$630 million settlement was received, collections resulting from audit assessments were \$33.7 million in FY 94.

FY 94 Statistics

Additional Tax Collections from Audits

Tax Type	Collections
Corporation Tax	
Oil and Gas	\$32,048,300
Other	948,900
Motor Fuel	61,600
Fisheries Business	638,700
Total	<u>\$33,697,500</u>

Appeals Program

Appeals continued to focus efforts on closing its inventory of oil and gas corporation net income tax cases. As a result, Appeals closed 17 large taxpayer cases representing 68 tax periods which resulted in collections of over \$27 million. Appeals closed 229 other tax periods during the fiscal year.

Appeals continued to provide technical assistance to IEAD and department staff which included work with legislation, regulations and technical rulings. Appeals drafted policy guidelines to be used by agencies in allocating mineral-related settlement funds between the General Fund and Constitutional Budget Reserve Fund.

FY 94 Statistics

*In Tax Periods**

	FY 94	FY 93
Beginning Inventory	268	349
Plus New Cases	316	311
Less Closed Cases	<u>(297)</u>	<u>(392)</u>
Ending Inventory	<u>287</u>	<u>268</u>

**Tax periods correspond to periodic tax return filing requirements of taxpayers. One taxpayer may have several tax periods in appeals at the same time.*

APPENDICES

Appendix A

Historical Overview of Taxes

Tax Type	Legal Reference	First Enacted	Original Tax	Current Tax Structure	Last Tax Change	Current Tax Rate	Latest Change	Charge
Corporation <i>Tax on corporate net income</i>	AS 43.20	1949	10% of federal income tax (for individuals and corporations)	Applies only to corporations	1982	1% to 9.4% of net income	1991	Water's edge method of income calculation adopted
Motor Fuel <i>Tax on fuel sold in or brought into Alaska</i>	AS 43.40	1945	1¢ per gallon on all fuels	Highway	1970	8¢ per gallon	1994	Aviation fuel taxes increased by .7¢ per gallon
				Marine	1977	5¢ per gallon		
				Aviation Gas	1994	4.7¢ per gallon		
				Jet Fuel	1994	3.2¢ per gallon		
Fisheries <i>Tax on fisheries resources processed in or exported from Alaska</i>	AS 43.75	1913	7¢ per case of canned salmon Other - dollar amount based on revenues	Floating ¹	1979	5% of value	1993	Definition of "value" amended to be more inclusive
				Cannery ¹	1979	4.5% of value		
				Shore-based ¹	1979	3% of value		
				Floating ²	1979	3% of value		
				Shore-based ²	1979	1% of value		
Tobacco <i>Tax on cigarettes and tobacco sold in Alaska</i>	AS 43.50	1949	Cigarettes 3¢/pack	Cigarettes	1989	14.5 mills/cigarette (29¢ per pack)	1992	Provisions to revoke or suspend licenses adopted
			Tobacco 2¢/ounce (Repealed in 1955)	Tobacco	1988	Tax on tobacco reenacted - 25% of price		
Alcohol <i>Tax on alcoholic beverages sold in Alaska</i>	AS 43.60	1937	Liquor 50¢/gallon	Liquor	1983	\$5.60 per gallon	1983	Increased alcohol tax rates
		1933	Wine 5¢/gallon	Wine	1983	\$.85 per gallon		
			Beer 5¢/gallon	Beer	1983	\$.35 per gallon		

¹ Established Species ² Developing Species