

ALASKA LEGISLATURE SPECIAL COMMITTEE/SUBJECT FILES 8672

3077 SCOMM 142: HOUSE SPECIAL COMMITTEE ON WAYS & MEANS 2005-2006

Assessment and Collection

The \$10.00 annual school tax is levied on all persons nineteen years of age or older who are gainfully employed in Alaska or on Alaskan waters. Housewives, military personnel, the disabled, paupers, insane persons, and wards of the state are exempt.

Most of the tax collection is done by withholding the tax from the first payroll received after January 1, unless the employee has earned less than \$25.00 or has already paid the tax. The employer sends the tax money to the commissioner of revenue when he files the quarterly net income tax. All other self-employed individuals, fishermen, and wage earners report and pay the tax with their net income tax.

The Department of Revenue reports that the 1960 amendments have substantially reduced evasion problems by requiring that the school tax payment be made at the same time as the net income tax return. As the tax is currently administered, the Department of Revenue may deduct unpaid school tax from refunds that might otherwise be due from the income tax. The use of income tax forms for reporting the school tax makes liable taxpayers easy to identify and eliminates both the cumbersome receipt system and the use of commission agents for collection.

Revenue

Revenue from the tax for recent fiscal years is as follows:

	<u>1961</u>	<u>1962</u>	<u>1963</u>	<u>Predicta-</u> <u>bility</u>
Actual	\$876,070	\$793,530	\$732,540	86%
Estimated	\$750,000	\$900,000	\$825,000	

The declining revenue and relatively poor predictability of the tax is misleading because some of the school tax revenue is counted in with the net income tax returns. The Department of Revenue is developing more realistic estimates of both revenue and predictability to compensate for the joint tax collection.

Analysis

The school tax is one of Alaska's earliest taxing statutes and seems deeply rooted in the traditional tax structure of the state. The 1960 amend-

ment has done much to eliminate tax evasion. However, the device of joint reporting will not be effective in collecting from self-employed persons earning less than the \$600 net income tax minimum.

Further exemptions might be considered in two categories. An exemption could be provided for casually employed students who may, for income tax purposes, be actually dependent upon parents and guardians for support. The tax could also be prorated for a person who is gainfully employed for only part of a year in Alaska. At present, if a person takes employment on December 20 and earns more than \$25 in his first pay period, he is liable for the total amount of the tax for the calendar year.



ALASKA LEGISLATIVE COUNCIL

TAXES IN ALASKA

A HANDBOOK

November

1964

The 1960 Amendment

A major amendment to the school tax act was made in 1960. (Ch. 179, SLA 1960.) This act:

- 1 - Eliminated a long-standing requirement for quadruplicate receipts for the tax;
- 2 - Simplified the enforcement and administration of the tax by requiring that it be reported along with the Alaska Net Income Tax;
- 3 - Clarified and streamlined the penalty provisions of the act;
- 4 - Required that the proceeds of the tax be paid to the general fund rather than the school fund;
- 5 - Amended the teacher's retirement act to provide that the state's contributions come from general fund appropriations rather than from school tax receipts.

The Department of Revenue reports that the 1960 amendments have substantially reduced evasion problems by requiring that the report of school tax payment be made at the same time and on the same form as the net income tax return. As the tax is currently administered, the Department of Revenue may deduct unpaid school tax from refunds that might otherwise be due from the income tax. The use of income tax forms for reporting the school tax makes liable taxpayers easy to identify and eliminates both the cumbersome receipt system and the use of commission agents for collection.

However, with the establishment of the joint tax collection system effective with the 1961 calendar year, the school tax has lost its specific identity -- which was held to be an alteration in the tax causing a change in its dedication. Consequently, in line with the applicable opinion of the Attorney General, the specific dedication to the "school fund" was dropped from the law and the tax is now paid directly to the general fund. Actually, the elimination of the dedication in no way alters the amount of revenue available for school purposes. As has been noted, it has been the practice to transfer the school fund to the general fund to partially offset the general fund appropriations for schools. As education appropriations from the general fund are currently more than ten times the amount of the school tax, it would seem that an administrative transfer has been eliminated in order to increase available revenues from the school tax, and to make the tax more equitable since evasion will be cut to a minimum.

Assessment and Collection

The \$10.00 annual school tax must be paid by all persons nineteen years of age or older who are gainfully employed in Alaska or on Alaskan waters. Exempt from the tax are:

- 1 - Unemployed married women supported by their husbands;
- 2 - All persons in the active U. S. military or naval service;
- 3 - Paupers, insane persons and wards of the state;
- 4 - Persons unable to earn a livelihood because of disability.

The tax is due on January 1 and must be paid by April 15 of the year following. Employers are required to withhold the tax from the first regular payroll after January 1, or in the case of employees entering employment later, from the first regular payroll after their employment. No deduction is made in the first pay period from the pay of persons casually employed if the total compensation is less than \$25.00. No deduction is made from an employee's wages if the employee can prove that his school tax for the year has already been paid. The employer must send the tax money to the Commissioner of Revenue when he files the quarterly net income tax. Self-employed individuals and wage earners who have not had the tax deducted (i.e., the Federal Government does not deduct the tax from the compensation of its employees) report and pay taxes when and as they report and pay the net income tax.

Net revenues from the school tax totaled \$717,650 during the 1960 fiscal year, and \$876,070 for fiscal 1961.

Comparison with Other States

Taxes levied as a flat rate on individuals are not common among the states and do not form a significant source of revenue. Only nine states other than Alaska levy a head tax. Rates range from \$1.50 per person in Alabama, Indiana, Texas and Virginia, to \$7.00 per person in New Hampshire. Age limitations vary, as do residence requirements. In three states the tax is levied only on males, and in some states its payment is prerequisite to voting.

Problem Areas

The levy of a school tax on individuals is a carry-over from Alaska's earliest taxing statutes, and seems a deeply rooted part of the traditional tax

structure of the state. Various critics of the tax have pointed out over the years that the tax is an "archaic" levy, and that it is regressive in that it taxes all individuals equally, regardless of their ability to pay or their overall capacity to earn a living. At one time it was proposed that the tax be repealed and replaced by an increase in the net income tax (See A Final Report on the Study Devoted to Revenue and Taxation, Alaska Legislative Council, January, 1959, p. 69).

Certain advantages of the present school tax levy are:

- 1 - It extracts some tax revenue from those persons who live and work in the state for short periods of time but own no property subject to local school levies (such individuals, if liable for federal income tax, are liable for the state income tax on income earned in Alaska).
- 2 - It serves as a steady, if comparatively small, source of state revenue, and Alaskans have become accustomed to paying it.

The administrative problems with tax, resulting from the cumbersome receipt system and the absence of withholding in certain instances, have been eliminated by the previously discussed 1960 amendment to the law which ties the school tax to net income tax returns. However, the device of joint reporting will not be effective to collect from the self-employed where the amount of earnings is less than the \$600.00 net income tax minimum.

In addition, certain questions of tax policy are raised by the school tax:

- 1 - The tax could be prorated for a person who is gainfully employed for only part of a year in Alaska. At present, if a person takes employment on December 20 and earns more than \$25.00 in his first pay period, he is liable for the total amount of the tax for the calendar year.
- 2 - An upper age limit for liable taxpayers could be established. Alaska is the only state of those levying a flat rate tax on individuals that does not. Age sixty-five serves now as the qualification for certain special income tax exemptions and might be suitable as a school tax age limit.
- 3 - An exemption could be provided for casually employed students who may, for income tax purposes, be actually dependent upon parents and guardians for support.

CHAPTER I

THE TAX STRUCTURE OF ALASKA

An Analysis Prepared By

Dr. John F. Sly
Professor of Politics
Princeton University

1961
The resolution (HCR No. 11) directing the Legislative Council to study the tax and revenue structure included the following reference:

"the Legislative Council is directed to retain the services of a competent consultant in the field of government finance ...to direct the programming of the study, review all reports and to assist in the preparation of possible recommendations..."

In accordance with the resolution, the Legislative Council obtained the services of Dr. John F. Sly, Director of the Princeton Surveys and Professor of Politics at Princeton University. Dr. Sly has had wide experience as a state tax consultant and has recently completed revenue surveys in Maine, Oregon and Washington. This chapter, as prepared by Dr. Sly, includes his analysis of the staff material in Part I of the report, a summary of Chapter II, Part II, "The Economy of Alaska," and various principles of taxation gleaned from his experience in the field of government finance. The views set forth in this chapter are those of Dr. Sly and do not necessarily reflect a consensus of the Legislative Council.

THE TAX STRUCTURE OF ALASKA

A state can raise tax revenues from only four major bases -- property, income, sales and excises (privileges). There are many ways of defining and measuring these bases, but the tax emphasis that a legislator will place upon each base depends upon conditions that are often beyond his control:

FIRST, He cannot tax a base that his State does not have -- this means that he must know and appraise the economic assets of his state;

SECOND, He must not tax a base so as to impair the productivity of that base -- this means that he must know and appraise the effects of his tax proposals on the taxpayer;

THIRD, He must consider adequacy and stability of yield -- will his proposal raise the required revenue? and will it continue to raise the required revenue?

FOURTH, Is the proposal legal and workable -- do constitutional provisions permit it? and can it be effectively and economically administered?

FIFTH, Is it politically acceptable -- will his constituency for a good reason or for no reason accept or reject it? and finally,

SIXTH, Is it equitable -- does it fall evenly among taxpayers and tax-paying groups?

It is often said that the tax structure of the American state is a hodge-podge of miscellaneous levies, and it is true that the citizen becomes irritated at the great variety of public revenues that he is asked to provide. But when the purposes and restrictions under which the legislator must operate are considered, his tax policy makes more sense. He must, first of all, fit his tax structure to the political and economic environment. He did not create this environment. It takes a long time to modify the environment and a legislator must work with what he has. He quickly becomes aware that he has two vigorous competitors -- the Federal Government and his neighboring states. The Federal Government has practically preempted the income tax field; he therefore finds it increasingly difficult to increase yields from an income base. Every state is alert to advantages that tax adjustments can bring to its economic development, and sends its agents throughout the country to explain the inducements its tax policies offer to new business locations. Aside from income taxes, there remain property, sales and excises. Property has become almost entirely a local tax, and states are almost excluded from using the base. Sales taxes have become the main support of many state tax structures, but are being increasingly shared with local subdivisions, and state-local competition has come to the sales tax field. Excises are always good as modest balancing items, but their yields are not often sufficient to meet the required revenues.

The legislator learns that all business cannot be taxed in the same way; that he does not raise money for revenue only, but for a variety of regulatory, promotional and trust purposes, each requiring separate treatment of a tax base. The Alaska budget document (1961-62) lists general fund revenues as 15 state taxes, 8 types of business licenses and permits, 6 types of non-business licenses and permits, 11 charges and miscellaneous revenues, and 7 sources of receipts from the Federal Government. It can be seen that this is the way modern government operates -- and, incidentally, it is a most modest listing as compared to many states. And the legislator learns one other rule: When new tax revenues are needed, he has only four choices: he can raise a rate, extend a base, add a new base or in some cases, reclassify a base -- or a combination of these.

★ ★ ★

PART I

THE ECONOMY OF ALASKA

Since 1940, Alaska has been in a period of constant and dynamic change;

With slight variations in timing and intensity, population, employment and income have followed a common pattern;

Since 1953, the main-source of population increase has been excess births over deaths;

Since the employment peak of 1955 there has been a leveling off or a modest decline;

Since the peak per capita income of 1951, there has been a sharp drop, not overcome until 1960;

During the 1950's the distributive industries have been steadily increasing;

With the exception of forest products, oil, and gas production, the natural resource economy of the pre-war years has declined or leveled off;

There has been a tremendous expansion in military, government and construction activities.

Although the total trend of economic growth seems to have reached a plateau, this does not necessarily mean a further decline. While the military-federal economy shows clear signs of receding, there are indications of natural resource developments that promise a sound and prosperous economic base.

Dr. George W. Rogers (Chapter II) has placed the legislature in a position "to know and appraise the economic assets of his state." He begins by emphasizing the unique geography of Alaska -- the first step in understanding environment. There is no other state that is even remotely similar. Its great size -- 586,000 square miles, about one-fifth the total area of the

continental United States; its far northern location -- 80 per cent of its area is north of 60° latitude, and 60 per cent covered by permafrost; its distance from markets ¹ -- Anchorage, the largest city (population center 82,800), is 1,450 air miles from Seattle; Fairbanks (population center 43,400), is about 1,550 miles; Juneau (population 9,700), is about 900 miles; and Ketchikan (population 10,000, the nearest municipality), 650 miles; and Alaska's place as a center of international transportation -- the shortest route from the West Coast to the Orient.

In some detail he points out the economic conditions that are significant factors in determining tax policy:

Extreme seasonality (the spread between summer and winter activity) as reflected in civilian travel and covered employment -- civilian travel, in and out, 64,800 (August, 1960), 16,300 (February, 1960); covered employment (Table 2), 59,761 (July, 1960), 40,415 (January, 1960).

The heavy dependence of the economy on military personnel and federal civilian employment -- military personnel comprises 35 per cent of the employed labor force, and accounts for about 20 per cent of the personal income; federal civilian employment is 20 per cent of the employed labor force, and accounts for about 19 per cent of the personal income.

The high cost of living -- higher than any other part of the United States -- due to transportation costs, high distributive expenses, higher wages because of seasonal employment, and the cost-plus characteristics of the military construction economy.

These factors go far toward determining the basic economy of Alaska. "The great growth of Alaskan employment and business" writes Dr. Rogers, "has been derivative, and is highly dependent upon military and federal spending for its support." The spending economy has been compared to a great public works program, but with the possible exception of mining (native sand, gravel and building stone), almost all of the spending that would stimulate industry has been made outside the state. Competition for labor has caused high labor costs, and tended to retard rather than to stimulate the nongovernmental economy. While economic activity has, nevertheless, shown considerable development, Dr. Rogers concludes, that --

¹ Population is based on election districts for 1960.

For the immediate future...Alaska's most pressing economic problems will be concerned with the promotion of a transition from a military-federal economic base to a broader and more stable natural resource economic base.

*

*

*

Population, income and employment characteristics are important indices of a tax base. The population of Alaska (except for modest recessions following World War I) has shown steady increases since the turn of the century, and has almost doubled during the last decade -- from 128,000 to 226,000. The spectacular upward trend of the forties terminated, however, in 1953, with the passing of the peak movements in military personnel; and continued growth was largely a matter of excess of births over deaths rather than from further immigration. Of the total population as of April, 1960, 43,000 (19 per cent) are native (Indians, Eskimos and Aleuts), and 183,000 (81 per cent) are non-native. The military personnel (1959) accounted for approximately 16 per cent (about 35,000) but this excludes military dependents and civilian employees, for whom data is not available. The records of live births by military status of the father indicate about the same ratios -- of total live births in 1960, 7,463, about 2,659 (35.6 per cent) were of military status; and 4,804 (64.4 per cent), civilian. In brief summary, Dr. Rogers concludes:

Following several sharp ups and downs, military personnel now seems to be assuming a steady downward trend and civilian population has changed its rate of increase and now appears to be assuming a plateau.

There are other factors of population that are important in tax matters:

There is a population density of 0.386 persons per square mile, compared to a United States average of 50.5 per square mile.

Of 32 (census) municipalities in Alaska (from 50 to 500 miles apart), there are only 14 that have a population in excess of 1,000; and the population centers of Anchorage (82,800) and Fairbanks (43,400) account for 55 per cent of the total population of the state.

The ratio of males to females was 71.5 females per 100 males -- a marked increase from 35 females per hundred males in 1920.

The median age is 23.3 years compared with 29.2 years for the United States as a whole; 47 per cent of the total non-whites.

and 62 per cent of the total whites are between 19 and 64 -- the "working age"; and 2.2 per cent of the total whites and 3 per cent of the non-whites are 65 years or over.

[These statistics indicate a wide and uneven scattering of tax assets; an unstable population (but improving) subject to sudden change in direction and trend; a high ratio in the "working age" group but a low median age and a low retirement ratio suggests tendencies to leave the state for job opportunities or at retirement age.]

*

*

*

Private employment in Alaska accounts for about 43 per cent of the total labor force. This review of the total labor force indicates a significant downward trend in military personnel since 1955 -- from 50,000 to 34,500; a stable employment in civilian government (national, state and local) -- 19,000 in 1955; 20,500 in 1959; and a similar stability in private employment -- 42,500 in 1955; 43,700 in 1959. The total employed labor force reached a peak of 111,500 in 1955, but had fallen to 98,700 by 1959 due largely to the depletion of the military personnel.

Broadly speaking, the major covered employment (that is, employment covered by the Alaska Employment Security Program, embracing all firms employing one or more persons) is broken down into three major classifications -- construction, commodity producing industries and distributive industries. As Dr. Rogers points out, construction employment is largely a function of military and government programs; employment in the commodity producing industries (mining, fishing, oil, gas, timber, manufacturing, etc.) is a function of economic development, arising largely from Alaska's natural resources; and the distributive industries (transportation, communication, trade, finance, real estate, services, etc.) are largely determined by the requirements of the other classifications, including military and government. The trends have been these --

Construction employment reached its post-war peak in 1951, and has steadily declined, until the level of the past three years is about one-half of the peak year.

In the commodity producing industries, the peak year was 1952. The decline has been more moderate, to about 75 per cent of the peak year.

In the distribution group there was a steady increase from 1950 to a peak in 1957, which has remained fairly constant.

Within these classifications, employment patterns have shown marked changes in emphasis over the past two decades. Mining and salmon fishing accounted for 53 per cent of total covered employment in 1940 as compared to 13 per cent in 1959. Covered employment in construction was about 12 per cent of the total in 1940; moved to 51 per cent in 1942 (a World War II year); declined to 11 per cent in 1946; rose again to 32 per cent in 1951 (a Korean War year); and fell to 20 per cent in 1957. Distributive industries have shown marked increases -- from 30 per cent of total covered employment in 1940 to 58 per cent in 1957 -- due to increased populations (largely military dependents), higher urban concentrations and a rising per capita income.

There is another matter of significance in the employment pattern -- geographic distribution. Mining was important (1954-1957) only in North and West Alaska with 19 per cent of the areas covered employment; contract construction was important only in Central and Interior Alaska with 29 per cent of the areas covered employment; lumber and wood pulp was important only in Southeast Alaska, where 20 per cent of the workers of the area found employment. Salmon canning is most important in North and West Alaska -- 37 per cent of covered employment of that section (primarily due to the Bristol Bay fisheries); of some importance in Southeast Alaska, 18 per cent of its covered employment; and of little importance in central and interior Alaska, 5 per cent of its covered employment. The distributive industries are the most evenly distributed of all employment classifications -- 59 per cent of covered employment in Central and Interior Alaska; 59 per cent in Southeast Alaska and 40 per cent in North and West Alaska.

[These statistics are significant in determining the stability of public revenues, the incidence of public revenues, and the projections of public revenues. It seems clear that the impacts of tax requirements will fall first on the areas of population concentrations (as they always do); second, upon isolated areas of economic activity; and, third, upon tax-paying groups defined broadly as public -- military and government personnel; and private -- primarily construction, trade, transportation, manufacturing and services.]

Data on personal income earned in Alaska is in accord with the conclusions drawn from population and employment data:

Government accounted (1959) for about one-half of the total personal income received by Alaska residents -- as compared to a 18 per cent national average.

The largest source of private income (1959) was construction (primarily for defense) -- about 9 per cent of total personal income as compared to a 5.3 per cent national average.

All manufacturing accounted for only 4 per cent of total personal income (1959), as compared to a 25 per cent national coverage.

Income from payrolls is above average importance (82 per cent); proprietors income is below average importance (7 per cent); and income from property is below average importance (6 per cent).

Per capita income -- unadjusted for inflation and wage increases -- shows sharp fluctuation during the last decade (1950-59). The peak was reached in 1951 -- \$2,629 per capita. During the next four years, it fell steadily to the 1950 level (\$2,246), reached a second peak in 1956 (\$2,502), fell again during 1957 and 1958, and reached a third peak in 1959 (\$2,550). The total income followed a somewhat different pattern with the highest figure in 1959; but when adjusted for price inflation and wage increases, the real income follows rather closely the trends in employment and population. In each year, however, personal income in Alaska has been far above the average personal income for the United States as a whole.

Dr. Rogers points out, however, that statewide averages of per capita income can give a warped picture of the economy. There are parts of Alaska that are exceedingly high and parts so low that they have been declared "major distress areas." His study of personal income indicates that in Central and Interior Alaska the per capita income (1957) was \$2,695; in Southeast Alaska, \$2,025; and in North and West Alaska, \$1,500. The Southeast is the most diversified -- fish, timber and about one-half the manufacturing -- and the least dependent upon the Federal Government as an income source. The Central area is the center of defense activities, and contains 90 per cent of all construction and communications activity; and an unknown potential in gas and petroleum. The North and West is the least developed. It is dominated by military personnel with a sparse economy based on hunting, fishing and trapping, with seasonal employment in the fish canneries.

*

*

*

Before World War II, Alaska's economy was primarily based on its natural resources -- furs, fisheries (largely salmon) and mines -- gold, copper and coal. Beginning with 1940, came the federal-military economy, and natural resource products, already on the decline, became comparatively unimportant. Since 1950, however, there has been a marked emergence of natural resources as a dynamic force in the economy. There are the large pulp mills in Ketchikan and Sitka; crude oil developments on the Kenai, a natural gas pipeline is now entering Anchorage; iron, copper and coal are

developing; and much thought is being given to enormous hydroelectric potentials -- especially on the Yukon River. Of tourism, a by-product of the scenic, recreational, and sporting aspects of natural resources, Dr. Rogers has this to say:

The most promising potential for immediate increase in Alaska's economic activity is tourism. It is difficult to find data on the income produced by this industry, but various estimates have indicated tourists' expenditures in recent years in the general magnitude of \$20-30 million annually. Prospects are that the current level of expenditures will increase many-fold over the next few years, and the projections made by the Battelle Memorial Institute of Alaska's economy by 1980 attribute more than half Alaska's projected population increase and income to the growth of tourism.

There is one other matter that sets Alaska apart from all other states -- land ownership. Ninety-nine per cent of the land is owned by the Federal Government; less than 2 million acres is privately owned; and less than 1 per cent of the land has been surveyed. About 25 per cent has been set aside for public purposes -- parks, forests, wildlife refuges, defense, etc; the Federal Government holdings are estimated to be worth about \$2 million -- 739 installations, over 9,000 buildings, located on some 365 million acres of federal property. The U. S. Department of Defense holdings approximate 2.3 million acres -- about 12 per cent of the total withdrawals of land throughout the United States for defense purposes. Under the Statehood Act, Alaska was authorized to select (during a 25-year period) over 100 million acres from unappropriated public lands, and an additional 400,000 acres of national forest and 400,000 acres of public domain for community expansion and recreation. This will provide a massive land area with which to form a sound economic base. Most of the privately held land is within municipalities or school districts. Recent studies indicate that the full value of such land together with improvements and personal property is probably in excess of \$750 million.

*

*

*

PART 2

MAJOR REVENUES IN ALASKA

There are three sets of facts to be kept in mind in considering the revenue structure of Alaska:

FIRST: Economic Facts:

Alaska is not, at present, a rapidly growing state -- since 1953 its population growth has clearly leveled off;

It is not, at present, on an economic base independent of the fluctuations of a military-government economy;

It has, by far, the highest cost of living indices of any State in the country;

Its "new" natural resource economy is underway, but has not yet arrived;

Broadly speaking, it is an "emerging state" with promise of fulfillment -- facts that should determine fiscal policies for the immediate future.

SECOND: Comparative Tax Position (1960):

Alaska ranks 23rd among the states in per capita income corrected for cost of living -- \$2,086 per capita; uncorrected, for cost of living, \$2,781, with a rank of 5th.

In total state and local tax collections per capita (\$162) Alaska ranks 39th; in state tax collections per capita (\$120), Alaska ranks 10th; and in local tax collections per capita (\$42), the rank is 44th.

In total taxes as a per cent of income (7.8 per cent) corrected for cost of living, Alaska ranks 44th; in state taxes (5.7 per cent), Alaska ranks 15th; in local taxes (2 per cent), the rank is 48th. In total taxes as a per cent of income (5.8 per cent) uncorrected for cost of living, Alaska ranks 50th; in state taxes (4.3 per cent), Alaska ranks 36th; in local taxes (1.5 per cent), the rank is 49th. Alaska has one of the lowest ratios of local taxes to total taxes in the country.

★

★

★

There is nothing seriously wrong with the Alaska tax and revenue structure, except that the established tax bases (at competitive rates) will be hard pushed to produce the required revenues. The recent revenues from oil lease bonuses (\$15 million), if fully sustained, will probably make new taxes unnecessary at the 1962 session of the Legislature.

If and when more tax revenue is needed, the Legislature is likely to turn to existing taxes as it did in 1957 and 1961. It would be most unlikely to attempt another state property tax and, with the general sales tax a local tax at rates of 2 or 3 per cent, would be reluctant, at present, to enter this field.

The following comments developed from the report suggest these tax possibilities:

The raw fish tax and the business license tax were not increased in 1957 and 1961.

The income taxes could be increased by either extending the bases or increasing the rates.

If it becomes essential, a consumers sales tax at the state level is the only hope, at present, for a new base and, even at a 2 per cent rate plus the local levies, would not be far out of line with trends throughout the country.

Probably something more could be done with the excises -- although they have recently been increased.

Increased highway revenues may be badly needed, and it is unlikely that highway user taxes can add further to general fund revenues.

The basic fiscal problem in Alaska is not the tax structure. It is the development of tax bases. The potentials in the natural resource field seem to be unlimited; and both public leadership and expenditure policies should be strongly directed toward this end.

While the cost of living differs from State to State, from city to city, and from urban to rural, no account is usually taken of the differences in comparing taxable capacity among states. In the first place, there are no state-wide cost of living figures. These data are available only for selected cities, and for selected socio-economic groups within cities. Second, differences between any two contiguous states are insignificant. The large cost of living differential that once existed between the agricultural Deep South and the industrial Northeast has largely disappeared. Wage rates established by the bargaining of international unions with nationwide employers' associations tend to become uniform throughout the United States. Civilian and military personnel of the U. S. Government receive the same wage regardless of their station in any of the 48 contiguous states. Third, cost of living differences within states (particularly urban-rural) seem to be greater than differences among states.

This analysis does not, however, apply to the State of Alaska, where the price level is far greater than that prevailing anywhere else in the country. This difference is recognized by the Federal Government in its salary scale for civil service personnel, and a station allowance based on grade and dependents for military personnel. The Bureau of Labor Statistics has measured consumer prices and living costs for Anchorage and Fairbanks, against those prevailing in Seattle. Taking prices in Seattle as equal to 100, the index for Anchorage and Fairbanks has been as follows:

	February 1951	October 1960	May 1961
Anchorage	140	127	126
Fairbanks	147	136	136

As the Anchorage center and the Fairbanks center contain about 55 per cent of the population of the State, they can be used as highly indicative of the price level throughout Alaska. Rather than to attempt a weighting plan, it was assumed that prices in Alaska in 1960 were one-third greater than prices prevailing in the rest of the United States. This assumes a cost-of-living index for Alaska of 133.33 for the year 1960, which seems reasonable in view of the 127 figure for Anchorage and the 136 figure for Fairbanks in October of that year. Adoption of this index means that a person would need an income of \$8,000 per year to live in Alaska as well as he could live for \$6,000 per year (on the average) anywhere in the United States. On this basis, it was determined that the personal income of Alaska for 1960 of \$629 million was the equivalent of \$471.8 million. On a comparable basis, per capita income in Alaska was \$2,085.85 and it ranked 23rd among the states.

*

*

*

THIRD: The present tax and finance structure:

Alaska raises (Table I) 45 per cent of its total tax revenue (\$31 million, 1960-61, including dedicated and shared taxes) from income taxes -- gross or net.

It raises 23 per cent (\$7 million) of its total tax revenues from sales taxes -- 67 per cent (\$4.5 million) of which is from motor fuels.

It raises 29 per cent (\$9 million) of its total tax revenue from excises (privileges) -- about 31 per cent (\$2.9 million) of which is from liquor, 22 per cent (\$2 million) from raw fish, and 22 per cent (\$2 million) from motor vehicles.

General Fund revenues were \$42 million in 1960-61, a drop of some \$6 million under 1959-60, due largely to losses in nontax revenue sources -- federal lands and resources, state lands, and transitional grants.

Federal grants to Alaska accounted for 39.8 per cent of total state and local revenues -- the highest in the country.

There are only a few dedicated revenues -- the cigarette tax (5 cents); sport fishing and hunting licenses, 100 per cent; 2 cents of the marine fuel tax; and 60 per cent of commercial fishing licenses.

There are substantial state-collected locally shared taxes -- the business license tax, 60 per cent shared; raw fish tax, 10 per cent; amusement and gaming devices, 50 per cent; cooperatives tax, 100 per cent; aviation fuel tax, 60 per cent shared; liquor license fees, 100 per cent -- except for wholesale.

Total tax collections (including dedicated and shared revenues) have increased from \$22.6 million in 1956-57 to \$31.5 million in 1960-61 -- an increase of 39 per cent.

The 1961 legislature increased taxes as follows: excises -- cigarettes and liquors; sales -- motor fuel; licenses -- motor vehicle registration and drivers licenses; income -- the individual income tax.

TABLE I. STATE OF ALASKA TOTAL TAX COLLECTIONS* -- 1959-60 and 1960-61 (000 omitted)

	<u>1959-60</u>	<u>% Total</u>	<u>1960-61</u>	<u>% Total</u>
<u>Total Taxes</u>	\$27,269	100	\$31,453	100
<u>Income</u>	12,567	46.08	14,003	44.52
Net income tax (individual and corporate)	10,596	38.86	11,786	37.47
Business license (gross income) ¹	1,937	7.10	2,212	7.03
Mining (net)	34	.12	5	.02
<u>Sales</u>	5,767	21.15	7,087	22.53
Motor fuel	3,686	13.52	4,729	15.04
Cigarettes	1,224	4.49	1,394	4.43
Insurance	857	3.14	964	3.06
<u>Privileges</u>	7,670	28.13	9,232	29.35
Fees and Licenses:	3,917	14.36	4,478	14.24
Motor vehicles	1,874	6.87	2,037	6.48
Drivers licenses	156	.57	167	.53
Motor freight (carriers)			19	.06
Sport fishing & hunting	584	2.14	793	2.52
Liquor	596	2.18	546	1.74
Commercial fishing	452	1.66	640	2.03
Aircraft registration			19	.06
Miscellaneous fees	255	.94	257	.82
Taxes	3,753	13.77	4,754	15.11
Inheritance	54	.20	61	.19
Liquor	2,188	8.02	2,361	7.51
Amusement devices	65	.24	148	.47
Raw fish	1,327	4.87	2,069	6.58
Cold storage & freezer ships	119	.44	115	.36
<u>Property</u>	542	1.99	219	.70
<u>Severance</u>				
Oil and gas (production and conservation)	5	.02	36	.11
<u>Poll</u>				
School	718	2.63	876	2.79

1 Net on banks and trust companies and savings and loan associations.

Source: Rearranged from data compiled by Alaska Legislative Council.

Note: Another classification (more nearly following the census classification) would be: mining tax, under severances; business license tax, under sales; liquor excise, under sales; fish, under severances. The ratios under this classification (1960-61) would be: income, 37.5%; sales and gross receipts, 37.1%; severance, 7.0%; property, .70%; privileges and others, 17.7%.

* Special fund revenue and shared revenues included. (With exception of electric and telephone cooperatives tax)

THE INCOME TAXES

Individual and Corporate

Alaska is an income tax state. There are ten other states that fall into this classification.² These states all have individual and corporate net income taxes, but no state sales tax. Each of these states has its own income tax law, and it is possible to make comparative estimates of tax liability on an assumed taxpayer. Alaska, however, has, in effect, adopted the federal income tax; and while tax liability is determined on the basis of the taxpayers net income, it is calculated as a percentage (16%) of his federal tax liability.

The extent of tax impact on individuals can be roughly measured by determining the tax liability of an assumed taxpayer under the federal income tax, the Alaska income tax, and the income tax of a comparative state such as Oregon. For example, assume a married taxpayer with two children, a \$3,000 taxable (net of deductions) income, the wife having no income. Exclude income from dividends and capital gains, and assume all income is earned within the state. The computations follow:

<u>Federal Income Tax</u>		<u>Oregon Income Tax</u>	
Taxable income	\$3,000	Taxable Income	\$3,000
4 exempt, at \$600	<u>2,400</u>	4 exempt at \$600	<u>2,400</u>
Tax Base	600	Tax Base	600
20% marginal		Deduct Federal	
tax rate	120	Tax	<u>120</u>
* * *			
<u>ALASKA</u> tax at 16%	\$19.20	Adjusted Tax Base	480
		Split Income	240
		3% marginal	
		tax rate	7.20
		Total Tax	14.40

The same assumption under a higher bracket (\$15,000) would look like this:

<u>Federal Income Tax</u>		<u>Oregon Income Tax</u>	
Taxable Income	\$15,000	Taxable Income	\$15,000
4 exempt at \$600	<u>2,400</u>	4 exempt at \$600	<u>2,400</u>
Tax Base	12,600	Tax Base	12,600
30% marginal		Deduct Federal	
tax rate	2,900	Tax	<u>2,900</u>
		Adjusted Tax	
		Base	9,700

² Delaware, Idaho, Massachusetts, Minnesota, Montana, New York, Oregon, Vermont, Virginia and Wisconsin.

<u>ALASKA</u> tax at 16%	\$464.00	Split Income	\$ 4,850
		9% marginal	
		tax rate	\$ 306.50
		Total Tax	\$ 613.00

These are rough estimates. The "tax bills" are not necessarily actual taxes, but more nearly indices based upon assumptions that may or may not be true in individual cases. But the fact that Oregon, by any measure, is among the higher individual income tax states would suggest that Alaska is pushing its income base -- particularly in the lower brackets.

The following table (Table II) indicates that while the Alaska income tax is not as progressive as those in Oregon, California and New York, it has the highest rates for the lowest and the highest net taxable incomes. Throughout the rate range, Alaska is higher than California (a low income tax state); lower than the Oregon rates (except at the extremes); and compares variously with the New York rates. While rate structure alone does not measure the true tax impact, it is indicative of the relative tax emphasis on income groups.

*

*

*

Domestic and foreign corporations (including associations, joint stock companies, and insurance companies) also pay a state income tax of 18 per cent of their federal income tax liability. Inasmuch as Alaska does not tax out-of-state income, the tax is determined by allocation of income earned in Alaska on the basis of the Massachusetts formula -- the ratio of corporate property, payrolls and sales in Alaska to property, payrolls, and sales elsewhere. The comparative impact of this tax is roughly indicated on Table III.

It may be noted in Table III that Alaska derives less revenue from taxes on corporate income than do the comparable ten income tax states. This is because it has so little corporate business. Only Massachusetts and Vermont collected less per capita from this source in 1961 -- Massachusetts, because it taxes corporations on "corporate excess," and Vermont because it has little corporate business enterprise and lower tax rates. When taxes are compared to total state tax revenues most of the comparable states seem to get from 7 per cent to 10 per cent from this source, although Vermont, Massachusetts and Alaska derived 5 per cent or less of state tax revenue from corporate income. Similarly, most of the comparable states collect corporation income taxes of from one-quarter to one-third of their individual income taxes -- Alaska is low at 14 per cent. Corporation income taxes have been declining relative to other taxes because of the failure of corporation profits to increase. Corporation profits as a whole in the United States are today about equal to what they were five years ago, despite the rise in prices and the growth in gross national product.

TABLE II. COMPARATIVE MARGINAL TAX RATES AT SELECTED LEVELS OF
INCOME -- INDIVIDUAL INCOME TAX (Four selected states) --
January 1, 1962 (in per cents)

Level of net taxable income (top of bracket)	<u>Alaska</u> ¹	<u>Oregon</u>	<u>California</u>	<u>New York</u>
\$ 500	3.2%	3%	1%	2%
1,000	3.2	4	1	2
1,500	3.2	5	1	3
2,000	3.2	6	1	3
2,500	3.52	7	1	3
3,000	3.52	7	2	3
4,000	3.52	9	2	4
5,000	4.16	9	2	4
7,500	4.80	9	3	6
10,000	5.44	9.5	4	7
15,000	7.52	9.5	6	9
20,000	8.48	9.5	7	10
25,000	9.44	9.5	7	10
30,000	9.92	9.5	7	10
35,000	10.40	9.5	7	10

¹ Alaska rates calculated as 16% of the federal marginal rates.

Source: Commerce Clearing House, State Tax Guide (Chicago, 1961).

TABLE III. CORPORATION INCOME TAX COLLECTIONS -- TEN STATES WITH TAX STRUCTURES SIMILAR TO ALASKA -- 1961

<u>State</u>	<u>Amount</u>		<u>% Total State Tax Collections</u>	<u>% Individual Income Tax Collections</u>
	<u>Millions of \$</u>	<u>Per Capita</u>		
Alaska	1.5	6.20	4.6	14.0
Delaware	6.7	14.72	8.7	24.6
Idaho	5.5	8.03	7.9	29.0
Massachusetts	25.2	4.81	4.8	16.2
Minnesota	32.2	9.28	8.4	33.1
Montana	4.7	6.86	6.8	34.4
New York	208.8	12.26	10.0	26.0
Oregon	20.9	11.63	10.5	24.8
Vermont	2.3	5.76	5.0	19.1
Virginia	28.7	7.08	8.3	35.1
Wisconsin	56.9	14.16	12.9	39.5

Sources: State Tax Collections (Year 1961), U.S. Bureau of the Census, State Tax Collections in 1961, G-SF61-No. 3, p. 5.

Population (July 1, 1961): U.S. Bureau of the Census, Current Population Reports, Population Estimates, Series P-25, No. 239 (December 13, 1961), p. 2.

There is a noticeable tendency among income tax states to conform to federal requirements. The coordination of state and federal taxes is a step in the right direction. Alaska has attained it, and should not depart from it.

Should more revenue be needed from the individual income tax, it should be done the hard way -- by increasing the flat rate supplement rather than to tamper with the less visible exemptions and deductions, the confusion of group classifications, or the adoption of an independent tax rate schedule.

*

*

*

The Business License Tax

The business license tax is a privilege tax levied for the privilege of doing business in Alaska. It applies to all corporations, partnerships or any other type of business (personal or professional) except those exempt under the act. The levy has, however, long departed from any regulatory purpose, and the courts have plainly stated that "the tax is...clearly a revenue measure." All businesses under the law are required to pay a license fee of \$25, and any business with gross receipts of \$20,000 or more pays a tax of 1/2 per cent of gross receipts in excess of \$20,000. Above \$100,000, the rate is reduced to 1/4 per cent. Banks, and trust companies and savings and loan associations are taxed at 2 per cent of their net income.

While there are six states that depend on a gross receipts tax for their major revenue source,³ and many municipalities that apply the gross receipts measure as a privilege tax, no other state taxes its corporations on both a gross and income base. Any tax on gross receipts is open to criticism because of inequities, but the base is so broad that a low rate yields substantial revenues. While the inequities appear large in terms of ratios, they are likely to be small in terms of dollars. In any form, it is clearly a departure from the progressive principle of taxation; but the tendency in many net income states is slowly to approach a gross base. This is because there is no longer enough money in the upper income brackets, and additional yields are sought in decreasing exemptions and deductions. Here lies the only difference between gross and net.

It has been noted in Ch. II, Part I, that the rate of the gross receipts tax is graduated inversely -- that is, the larger the base (in excess of

³ Arizona, Indiana, New Mexico, Mississippi, Washington and West Virginia.

\$100,000) the lower the rate. No other state uses this regressive pattern on gross receipts, although New Jersey (1945) applied an inverse rate to its corporation net worth tax. In the case of New Jersey, this was done to protect large companies from an excessive increase in taxes when the property tax on intangibles was abolished. Whatever the reason for an inverse rate may have been in Alaska, perhaps the present position of large business should be reexamined, and, if justified, the rate structure adjusted toward an equal or classified rate.

It would be well, also, to reexamine the tax at least from the standpoint of the "low margin" businesses, particularly wholesalers. The alternative net income provisions of the Philadelphia Gross Receipts Tax (See Part I, Ch. II) might be worth studying. Any extensive classification (as in West Virginia) should be avoided. It would not only be arbitrary, but inflexible. The moderate classifications of Indiana and Washington might be considered. There is no complete remedy for the complaints under a gross receipts tax short of going to a net income base.

*

*

*

The first problem that arises under the Alaska individual income tax is the basic question of its structure; namely, the incorporation of the federal income tax with the state income tax. This policy is supported largely on the grounds of simplicity of operation for the taxpayer, and greater efficiency and economy for the state. There are certain objectionable features -- it denies the flexibility for local adjustments that state established income taxes permit; makes it difficult to project future revenues and tax impacts due to unpredictable federal changes; and the flat rate supplement used in Alaska reflects the effect of the federal progressive rates. In a more complicated economy these objections might carry considerable weight, but in Alaska they would seem to offer no formidable difficulties. It is likely that more money could be raised if there was more progression in the middle rate structure of the Alaska tax (Table II).

The Alaska individual income tax does not reach the income of the U. S. armed forces and auxiliary branches except for nonmilitary income. This provision is partly the result of the Soldiers and Sailors Civil Relief Act (1940) which provides "...compensation for military...service shall not be deemed income for state taxation." The provisions of this act do not include the auxiliary services (National Guard, Marine Reserves, Coast Guard Reserves, etc.), but these are also exempt under Alaska law. In spite of the federal restriction, states have treated this matter differently. Generally speaking, classification as a nonresident exempts most members of the armed forces from state income taxes. Oregon, however, exempts military pay for active service up to \$3,000 a year; Minnesota has a similar rule

with certain time limits; in Virginia, members of the armed forces are not liable for the tax unless they have a place of abode there. Wisconsin exempts compensation for active service in the armed forces or as a reserve member up to \$1,000; Delaware exempts "officers and employees" of the United States who "are citizens and residents" of another state; New York treats military personnel living on military reservations as nonresidents, and taxes them only on income derived from New York sources; and Massachusetts exempts the compensation of all military personnel stationed in Massachusetts. It is unlikely, however, that Alaska would find it practical, beneficial or desirable to change its present practice.

The report points out two other potential sources of revenue in the income tax: First, the removal of the split-income provision from the individual income tax would undoubtedly raise more revenue; but it would be a serious departure from federal practice, and would accelerate the effect of progression already reflected by the flat rate supplement; Second, out-of-state income of resident individuals and more income from corporations might be brought into the tax base. It is questionable whether the yield would justify the effort; whether such a burden should be placed on corporations with national markets seeking a location or markets in Alaska; and whether such a policy should be extended to domestic corporations as well as foreign corporations. As a matter of equity and administration, however, any discrimination as between nonresident and resident taxpayers (particularly in the matter of deductions) should be removed.

In brief summary, these points seem important in considering Alaska's income tax:

While protecting the yield, it must be made as attractive to economic development as possible. Of all states, Alaska needs to develop its basic economy. A reasonable income tax structure (both individual and corporate) can be an important inducement to new industry, and an important incentive to established industry.

THE SALES TAXES

The Motor Fuel Tax

The motor fuel tax is a levy on the gallonage of motor fuel sold and delivered or otherwise transferred into Alaska or consumed by a person importing fuel into Alaska for his own use. The rate is 8 cents a gallon, except aviation gasoline, 3 cents; motor fuel used in boats and watercraft, 3 cents; aviation fuel other than gasoline, 1 1/2 cents. The tax is not dedicated to a highway fund, refunds have practically been eliminated, and exemptions are at a minimum.

The main problem arising has to do with the general state policy in highway finance. Although the great bulk of collections under the tax are not dedicated, the total amount available is regularly appropriated for highway and other transportation facilities. Increasing participation in federal highway aid programs, and the expiration of transitional grants from the Federal Government in 1964 (some \$2.9 million for highway construction alone in 1961-62) will place a heavy burden on available revenues. There will doubtless be no opportunity for "diversions" of motor fuel taxes for other purposes, particularly as the proceeds of the motor vehicle license tax now goes to the general fund.

The Cigarette Tax

The cigarette tax is levied on cigarettes imported or acquired in Alaska. The present rate is 4 mills per cigarette -- an effective rate of 8 cents for a package of 20 cigarettes. Two and one-half mills is dedicated (1955) to school construction and an additional 1 1/2 mills (1961) allocated to the general fund. An annual license fee is required of all cigarette dealers, the highest \$50 for distributors; and licensees may deduct 1 per cent of the tax to cover the costs of accounting and filing. The deduction applies, however, only to the first 2.5 mills. The following questions have been raised under this tax:

Tobacco Products Other Than Cigarettes: Prior to 1949, the Alaska Tobacco Tax Act taxed cigarettes, cigars, tobacco and snuff. In 1955, this act was repealed, and the present cigarette tax imposed with an increased rate from 1 1/2 mills to 2 1/2 mills. Taxes on all other tobacco products were dropped. There seems no sound reason why all types of tobacco should be taxed anymore than that all types of fuel should be taxed. It is a matter of legislative policy, to be determined largely on matters of yield, administration and equity.

Illegal Importations: This is largely a matter of administration. There is a limit to what criminal penalties will do, and search and seizure is subject to the restrictions of "probable cause." Unless the condition is really aggravated, the "little fellow" had better be forgotten and the "big fellow" caught in the reporting system.

The Insurance Tax

Insurance companies, corporations, associations, individual underwriters, agents and brokers are subject to premium taxes on all gross premiums upon property or risks resident or located in the state. Health

care service contractors pay taxes on gross revenues. Mutual benefit societies are not taxed. The rates are 3 per cent of gross premiums for foreign companies; 1 1/2 per cent for domestic companies, after a tax-free period of five years from the date of organization; 1 per cent for title insurance companies; and 2 per cent for health care service contractors. Certain standard deductions are permitted, and certain exemptions allowed by rulings of the Attorney General. The great bulk of the revenue comes from foreign companies -- in 1960, \$870,000, about 90 per cent of the total collections. In addition to the gross premium tax and licenses, insurance companies pay the corporate income tax, but are exempt from the business license tax.

The problem areas are presented as follows:

The Alaska Corporate Income Tax: Insurance companies doing business in Alaska are subject to the corporate net income tax. This is not the general practice among income tax states. A net income measure plus allocation factors is not easily applied to insurance companies. Less than \$300 was collected from this source in 1960-61. Insurance companies should probably be exempt from this tax.

Select Treatment for Domestic Companies: Following a five-year period of exemptions, domestic companies are taxed at one-half the rate of foreign companies. There are only two such companies in the state and they paid no taxes in 1960. If the legislature wishes to stimulate the establishment of domestic companies, a five-year exemption might be appropriate; but discrimination between domestic and foreign business is always a doubtful policy, leads to retaliatory treatment, and a loss of legitimate revenue.

Nonprofit Associations: There are five nonprofit fraternal associations now operating in Alaska that are now tax-exempt. Their combined tax base is only \$46,000, and they are not at present an important issue in the insurance field. The insurance business is, however, highly competitive, and a tax differential of 3 per cent on gross premiums could make a difference. There seems no good reason why these associations should not be treated like any other foreign company. Health care contractors are in a similar position of preferred treatment, but their gross premiums are reported as \$1.4 million for 1959 and 1960. Their tax base is gross "less payments to or on behalf of persons paying for such services." The rate is 2 per cent and their taxes about \$9,000. On a similar basis with other companies, their tax would have been \$43,000. It would seem that the legislature could well undertake a clarification of these matters.

THE EXCISE (PRIVILEGE) REVENUES

Motor Vehicle Registration Taxes and Other Motor Vehicle Levies

Although Alaska has provided for motor vehicle registration fees since 1915, it was not until 1951 that a complete vehicle registration act was passed. This act established a registration tax schedule containing the first provisions for rate differentials based on truck weights. Proceeds of this tax were used for general fund purposes.

The Alaska Motor Vehicle Act of 1951 has been amended some twenty times. The fees were raised in 1957 and in 1961. A separate act (the Alaska Motor Freight Carrier Act) regulating motor freight carriers was passed in 1960, adding fees ranging from \$25 to \$50 to trucks and trailers, in addition to the normal registration fees. A motor vehicle operators license was provided in 1941, and at present (1961) requires a \$5 fee for a drivers license extending over a three-year period. These revenues are also paid into the general fund.

There are the usual exemptions under the act -- vehicles making only incidental use of the highways; "special mobile equipment," such as farm tractors, road machinery, concrete mixers, etc; vehicles owned by political subdivisions of the state; and vehicles registered in other states are exempt for a period of 90 days. The motor vehicle license fee is not in lieu of property taxes. Most political subdivisions (first, second and third class cities), tax such vehicles on an ad valorem basis or require a special license.

The annual rates of the motor vehicle registration tax are as follows:

Vehicle Flat Fees

Motorcycle	\$15.00
Private Use Vehicle	30.00
Taxicab	50.00
Small private trailers and house trailers	4.00
Dealer's demonstration plates: first set	37.50
Dealer's demonstration plates: additional sets	18.75
Duplicate Plates	2.00

Vehicle Weight Fees

(Normal Fees)

Trucks, trailers, semi-trailers, etc., used primarily for the transportation of passengers for hire, or for transportation or hauling of property:

3,800 pounds or less	\$ 35.00
3,801 to 12,000 pounds	60.00
12,001 to 18,000 pounds	110.00

Over 18,000 pounds \$160.00
(Manufacturer's advertised weight or
other actual weight)

Additional Fees

12,000 pounds or less	25.00
Over 12,000 pounds but not over 18,000 pounds	40.00
Over 18,000 pounds	50.00

Drivers Licenses

The rates on driver's licenses are: (Ch. 19, SLA 1961)

Regular License (3 years)	\$ 5.00
School Bus Permit	2.00
Instruction Permit	1.00
Special Permit	2.00
Duplicates	1.00

*

*

*

All states register motor vehicles and charge a license fee. The taxes are measured in a great variety of ways -- weight, horse power, value, seating capacity, body type, age of vehicles; and for freight carriers by the "ton mile" tax and the "weight distance tax." The motor vehicle license tax is a special type of taxation that is usually not included in a state tax study, largely because the revenues form no part of the general fund. This, however, is not true in Alaska, where the proceeds from motor vehicle and drivers licenses are an important and increasing part of general fund revenues.

It is not possible to make definitive proposals for adjustment under this tax without a thorough analysis of its provisions and their implications. It is reported that there is "confusion as to definitions, exemptions, and coverage"; that the law is badly scattered throughout the statutes; that there is variation in the measures of truck weights; and that the flat \$10 across-the-board rate increase (1961) altered the weight and tax variations. These factors would seem to indicate that "a general revision of the motor vehicle law would be beneficial." There is one other matter: With the expiration of the transitional grants in 1964 -- or perhaps even sooner -- there will be a heavy pressure on highway funds. The "diversion" of motor vehicle license revenues for general fund purposes is not consistent with a highway users tax. There are "diversion" states, notably, New York and New Jersey; but these states have great toll road facilities, and heavy

property taxes for local highway purposes. While it was a wise provision to prohibit dedicated funds in the Constitution, when a state is tight for highway revenues, the "highway users" principle is probably the best guide to highway support.

Sport Fishing and Hunting Licenses

It is only since 1959 that Alaska has had fishing and hunting license schedules that were more than nominal charges for both residents and non-residents. This is another source of revenue that is not usually part of a state tax study. It is basically a regulatory tax; because of federal matching requirements, it is always a dedicated tax; and its rate structure is more or less geared to conservation and tourist attraction. There seems to be nothing in the present provisions that is significantly out-of-line with practices in other Western states; and no serious problems have developed since the adoption of the basic law of 1959. The rules seem to be these: the rate structure should protect the resources; provide adequate revenues for conservation and development; and reflect fair treatment to both the resident and nonresident sportsman.

Liquor Licenses and Excises Taxes

Alaska is a liquor license state -- that is, a state in which all liquor transactions (purchase, distribution, and sales) are privately conducted under license arrangements with the state. The present licensing law was passed in 1937, and, with numerous amendments, is still in effect. Under this system, the various types of business (including liquors, wines and malt beverages) are classified, and an annual license fee levied against each class. The largest collections come from the following classifications:

	<u>License Fee</u>	<u>Collections (1960)</u>
(1) Beverage dispensary (on premise sales of beer, wine and liquor)		
Communities under 1,500	\$. 500)	\$311,000
Communities over 1,500	1,000)	
(2) Retail (sales in original packages and wine in bulk)	600 ⁴	175,500

⁴ If gross sales are under \$20,000, the fee is \$300.

(3) Wholesale

General (sale of liquors and malt beverages in original packages and wines in bulk --but not to the consumer) based on the amount of annual business

500-5,000 \$ 66,200

Malt beverages and wine license (in original packages and wine in bulk) based on the amount of annual business

100-5,000 12,700

(4) Clubs (with a state or national charter)

\$ 400 15,800

(5) Restaurants (sales of wine and beer with meals)

300 7,500
\$588,700

These five classifications (plus application fees of some \$30,000 in 1960) account for 99 per cent of the total receipts (\$626,000 in 1960) from liquor licensing.

There are other factors to be noticed:

All revenues collected under the liquor license tax within municipalities are returned to the municipalities -- except revenues from wholesale licenses.

Cities are prohibited from requiring additional liquor licenses, but may participate in liquor regulation.

Local consent (by petition) before a license is issued must be obtained in unincorporated areas; and in incorporated areas, the recommendation of the local council, subject to a local option election.

Exemptions include sacramental wines, alcoholic products for industrial, pharmaceutical or medicinal purposes; and military instrumentalities of the Federal Government.

There seems to be nothing unusual in the Alaska system of licensing the liquor industry. While rate structures are exceedingly difficult to compare

(particularly as between monopoly and license states), it would seem that Alaska does well on the revenue side. As to sharing the revenue with the municipalities (and the boroughs, when organized), this is a matter of public policy. About one-half the states share their liquor license revenues and about one-half do not. Shared taxes, however, are something Alaska must watch. It will need all the revenue it can find for state requirements.

*

*

*

The liquor excise tax is levied on every brewer, distiller, bottler, jobber, retailed wholesaler or manufacturer who sells or consigns intoxicating liquors for shipment into Alaska. The rates are:

Twenty-five cents per wine gallon of malt beverages with at least 1 per cent alcoholic content;

Sixty cents per wine gallon of wine or other liquor having no more than 21 per cent alcoholic content;

\$4.00 per wine gallon of liquor having greater than 21 per cent alcoholic content.

There are also these factors to be noted:

The measure is in terms of "wine gallons" -- the standard American gallon of 231 cubic inches in volume; instead of the "proof gallon" used by the Federal Government based on the alcoholic content of the liquor.

Alaska is a "reporting state: rather than a "tax stamp" state -- that is, the excise is collected and regulated by monthly statements as to the amount and type of liquor sold to Alaska purchasers rather than by the use of "tax stamps."

A municipality may not levy a liquor excise tax, but may levy a property tax on liquor inventories and sales taxes on the sale of liquor.

All revenue from the liquor excise is deposited in the general fund, the largest part of which (\$1.5 million, 68 per cent in 1960) comes from the excise on distilled spirits.

Although liquor excises have long been justified as regulatory taxes, they have become, in effect, a pure revenue measure, for both the Federal Government and the states. It is comparatively an easy tax to increase.

Taxation of Commercial Fishing

The present tax on Alaska fisheries dates from legislation of 1949. At this time the legislature repealed all existing taxes on the fishing industry, and enacted two new major taxes -- the raw fish tax and the fish processors tax.

The raw fish tax levied a license tax on salmon canneries, herring processing plants, crab canneries, and clam canneries. The measure of the tax was the value of the fisheries products produced, with different rates for different products.

The fish processors tax levied a license tax on cold storage and other processing plants (freezing, salting, etc.) excluding licensees under the raw fish tax. The measure of the tax was the price paid for the raw materials.

The basis of the present tax is as follows:

(1) The Raw Fish Tax: Salmon Canneries (shore based and floating): an annual license tax equal to 6 per cent of the value of the raw fish purchased or otherwise obtained for canning purposes during the year; herring process plants: an annual license tax equal to 1 per cent of the value of the raw herring; crab canneries: an annual license tax equal to 2 per cent of the value of the raw crabs; clam canneries: an annual license tax equal to 2 per cent of the value of razor clams, and 1 per cent of the value of butter clams.

[Except in the case of salmon, the "value" of the fish is the "actual price paid" either in cash or through the assumption of certain costs, or both. The value of salmon is equal to 50 per cent of the wholesale price obtained by salmon brokers in Seattle from August to December, inclusive.]

(2) The Fish Processing Tax: All fish processors (shore based cold storage, freezing, salting, etc.) except those under the raw fish license tax: an annual license fee of 1 per cent of the value of the raw fish purchased; freezer ships and other floating cold storages: an annual license fee of 4 per cent of the value of the fish purchased.

[The "value" of the fish purchased is the "actual price paid" either in cash or through the assumption of certain costs, or both.]

The problem areas raised under these taxes are as follows:

(1) The law is not presented as "a single coherent body" -- there are, in fact, a number of separate laws;

(2) The tax rates are inconsistent -- different kinds of fish or shell fish are taxed at different rates, and the rates vary according to methods of processing;

(3) While the tax is effective for a large part of the fish caught, it does not reach independent fishermen who catch fish in Alaskan waters, and sell to freezer ships outside the three-mile limit; nor does it reach fishermen who catch fish and transport them to non-Alaskan ports for processing in another state.

Without timely revision, all tax laws tend to become segmented, inconsistent and confused. The taxation of fisheries is an important economic base, and an important tax base in Alaska; and it should be given the consideration that so valuable an asset deserves. The report suggests that a loophole exists because the tax is levied on the processor rather than on the fisherman. That is, the act of taking fish is not taxed; and that, in many cases, no taxable transaction takes place in the state. To remedy this condition, a severance tax in lieu of the present business license tax is proposed. This would be similar in principle to the present oil and gas production tax, and would place the tax liability on the producer (the fisherman) rather than on the processor (the manufacturer). This would not be too difficult a departure from present practice. In effect, it is a change in tax liability rather than in the tax. It would be similar to the Washington practice of a "catch fee" levied on all commercial fishermen; and for collection purposes, deducted from the purchase price paid by the original receiver, and remitted to the state. The Legislature might well give consideration to this proposal.

Inheritance Tax

The inheritance tax has persisted in tax structures since the days of the early Egyptians. It appeared in colonial America as probate duties; as a stamp tax on legacies and interstate shares under the Constitution; and as full-scale legislation during the Civil War. By 1900 some 21 states had adopted a collateral inheritance tax, and in 1903 Wisconsin developed the first "model" law including the taxation of both direct and collateral heirs, and progressive rates applicable to both the amount of the transfer and the degree of relationship. At present, every state (except Nevada) levies death taxes. If a state has only an inheritance tax (sometimes called a "share"

tax), it taxes only the net value of the shares received by beneficiaries from the estate. If the state has an estate tax, the tax applies to the net value of the entire estate.

Alaska adopted (1919) an inheritance tax law which has remained basically unchanged. The tax is computed on the money value of the net estate at time of death, "net" being determined by the deduction of specified costs and exemptions. Primary rates are levied on the first \$15,000 in excess of allowed exemptions, as follows:

PRIMARY RATES

<u>Class</u>	<u>Exemption</u>	<u>Rate</u>
Wife, lineal issue	\$10,000	1%
Husband, adopted child	10,000	1 1/2
Ancestors	3,000	1 1/2
Brothers, sisters and their descendents, sons and daughters-in-law	1,000	3
Aunts, uncles and their descendents	250	4
Other relatives and nonrelated	100	5

In addition to the primary rates, there are secondary rates levied on property exceeding in value the allowed exemptions, plus the \$15,000 taxed at the primary rates. They are as follows:

SECONDARY RATES

<u>Value after Exemption</u>	<u>Rates</u>
\$15,001 to \$30,000	2 times primary
30,001 to 50,000	2 1/2 times primary
50,001 to 100,000	3 times primary
Over 100,000	3 1/2 times primary

There are other exemptions and deductions. They include transfers to the state and to its municipalities and boroughs; transfers to educational, religious or charitable institutions; costs involving the administration of the estate; and lawful claims and taxes payable out of the estate.

The principal features of the Alaska inheritance tax are these:

It is basically an inheritance tax, but if the tax does not equal the federal credit,⁵ an additional

⁵ Under the federal estate tax a state is allowed a credit up to 80 per cent of the federal tax rates of 1926.

estate tax is levied to make up the difference.

It distinguishes between direct heirs, collateral heirs and "others" in both exemptions and rates.

Comparisons of rates, exemptions and bases are difficult, but the Alaska provisions, if anything, seem to be on the low side.

It is stated in the report that "the Alaska inheritance tax law is antiquated and a poor producer of revenue." The basic principles of an inheritance tax are these: it should provide an adequate yield, give appropriate protection to direct heirs, and be as simple as possible to administer. This is complex legislation. Should there be a tax on gifts and if so, what form should it take? How should insurance be treated -- exempt, fully taxed, or limited in tax liability? To what extent should real property held in entirety (jointly by husband and wife) be taxed? Should homestead exemptions and family allowances be considered? The fundamental question of the theory and implications of the inheritance tax as a source of public revenue also requires consideration. As has been indicated, Nevada is the only state that does not tax estates or inheritances. Without the advantages of the federal credit, there might be other states that would adopt or modify this policy.

The report indicates alternative ways of approaching this difficult levy -- the adoption of an estate tax, largely in the interest of simplicity; or a combined death and gift tax, placing all transfers of wealth from one donor under an annually cumulative transfer tax. At all events, this tax has been given no serious thought since its adoption in 1919. There is no doubt that the time has come when the inheritance tax should be reexamined.

SEVERANCE TAXES

Mining, Oil and Gas

Alaska provides for three types of severance taxes -- mining, oil and gas.

Mining: Although a mining license tax has been required in Alaska since 1913, the present provisions based on net income were established in 1947. In 1951, the act was amended to provide a 3 1/2-year exemption for new mining operations in base metals; in 1953 the exemption was extended to include all mining operations, except sand and gravel; rates were reduced in 1953 and 1955, and the depletion allowances on coal increased from 5 to 10 per cent in 1953.

The mining license tax is imposed on net income received either directly or indirectly from mining operations or from lessors as royalties from mining property. Net income is determined by the usual deductions from gross, plus a depletion allowance varying from 10 per cent of gross for coal to 23 per cent of gross for sulphur. Taxes on royalties are paid by the taxpayer receiving the royalties, with no deductions except the depletion allowance. The present rates on net income are as follows:

Over \$40,000 and not over \$50,000	3%
Over \$50,000 and not over \$100,000	\$1,500 plus 5% of excess over \$50,000
Over \$100,000	\$4,000 plus 7% of excess over \$100,000

The tax is in lieu of the Alaska business license tax.

Oil and Gas Production and Conservation Taxes: In 1955 the Alaska Oil and Gas Conservation Commission was established with revenue from two sources: fees for permits to drill exploratory wells; and a conservation tax levied on the gross production of oil and gas, assessed at 5 mills per barrel of oil and 5 mills per unit of 50,000 cubic feet of gas. At the same time a separate act established the oil and gas production tax, at 1 per cent of the gross value of the product, to be paid into the general fund.

This tax is in lieu of all ad valorem property taxes; but is not in lieu of income taxes nor excises upon the sale of oil or gas products at retail. The purchaser is liable for the payment of the tax, if it has not been paid by the producer.

*

*

*

As has been said, the mining license tax is a net income tax. This is rather unusual among severance tax states. A severance tax is generally measured by what is taken out of the ground, rather than by the profits of the operator, the theory being that it is depletion rather than earnings which is of primary interest to the state. In Alaska, however, a severance tax on mining operations, no matter how measured, falls on many marginal operations. The law even protects the industry up to \$40,000 net income; and exempts it from the business license tax. While at present the tax produces almost no revenue, easy treatment on the tax side may be a factor in increasing the base. As a possible alternative, it has been suggested that the tax might be a percentage of the federal income tax. This would simplify both the taxpayers problems, and the administrative and enforcement responsibilities of the state. The implications of such a change should, however, be carefully studied from the standpoint of the industry.

Severance taxes on oil and gas are likewise based on a variety of measures, largely contained within volume, value and income. Some are in lieu of property taxes, and some are not. Conservation taxes and production taxes are often used together. While at present the yield in Alaska is small, there is much activity in the field. There is nothing in the present tax that is out of line with general practice, and while the production tax rate may, at present, be on the low side, it should not be raised without careful study of an "emerging" industry. In the interests of simplicity and flexibility (as has been suggested) the two tax bases might be merged into one.

THE POLL TAX

The School Tax

The Alaska poll tax, popularly known as "the school tax" is levied on individuals in addition to all other taxes. It is an old tax -- dating from 1913 -- at first levied on all males between the ages of 21 and 50. The rate was \$5 a person. In 1943, the tax base was extended to include employed women, and the age limit increased to 55. In 1955, the tax was increased to \$7.50. In 1957, withholding was adopted, the tax again increased to \$10, and the age limit extended to 60. In 1959, the age ceiling was eliminated and the beginning age lowered to 19. The tax has always been used for school purposes, but (because of Constitutional restrictions on dedicated funds) the entire amount is now paid into the general fund.

Although poll taxes are generally regarded as archaic, they have a long history, are still used in many local jurisdictions, and are levied as state taxes in some nine states. It is probably not a tax that Alaska would adopt de novo, but it is long established, publicly accepted, well enforced, and yields considerable revenue. It has a peculiar use in Alaska: Persons who live and work in the state for short periods are likely to contribute nothing to school support, but they are liable for the school tax. There are several administrative features discussed in the report which the legislature may wish to consider; but even though the poll tax is on the irregular side, it has its use, it is almost a tradition, and it is being collected. It probably should be retained.

CHAPTER II

THE ECONOMY OF ALASKA

Any careful consideration of the Alaska revenue structure requires a review of the basic economy of the state. It is the purpose of this section to give a summary account of the economic factors affecting Alaska. This material has been prepared for the Alaska Legislative Council by Dr. George W. Rogers, Alaska economist and author of Alaska in Transition. Dr. Rogers is currently serving as a consultant to the Planning Division of the Office of the Governor, the University of Alaska, and the Arctic Institute of North America. He has prepared this section on the basis of his experience and observations as an economist in Alaska and his conclusions do not necessarily reflect the consensus of the Legislative Council.

Unique Alaskan Economic Characteristics and Problems

Every regional economy is a unique entity. Although common systems of classification and analysis may be applied, a true understanding of each must be based upon a grasp of the factors and forces which make it unique. Alaska's economy and population have been determined by great size, far northern situation, distance from markets, and strategic national defense and international transportation location -- in short, its geography.

Geography

Size is the most obvious geographic characteristic. Alaska's total area of 586,400 square miles is about one-fifth the total area of the 48 Continental States of the Union and its extreme extent approximates their east-west, north-south spread. The state divides naturally into several distinct regions, each with varying natural endowments of resources, climate and topography.

This sub-continental region is predominantly arctic and sub-arctic in nature, about 80 per cent of its total area being north of latitude 60° North and 60 per cent being underlain by permafrost. Its northern latitudes make for extremely short seasons between killing frost, varying from 165 days at Ketchikan to 17 days at Barrow (the range over the Interior is from 90 to 54 days).

Alaska is remote from the other states. Anchorage, the largest city, is 1,450 miles from Seattle and 2,500 from Minneapolis by direct air routes, and 2,633 miles from Great Falls, Montana by road. On the other hand, the shortest routes between the western United States and the Orient, and between the Orient and Europe cross the state or skirt its gulf coast.

Alaska's great size and geographic variation, coupled with its general state of underdevelopment, limited surface transportation and relatively sparse population, introduce elements of disintegration and sectionalism into the economy. It

cannot and should not be treated as though it were one whole, well-integrated system. Rather, it is a collection of far-flung and relatively isolated centers of varied economic activity tied together in rather tenuous fashion at the political and public administration levels.

The Regions of Alaska

The largest meaningful regional units into which the state could be divided for purposes of economic and demographic statement and analysis are generally considered to be three in number.^{/1} Southeast Alaska is set off from the rest of the state by Canadian territory and the barrier presented by the Malaspina Glacier and the St. Elias Range. Central and Interior Alaska, roughly the area south of the Brooks Range and east of longitude 151° W, includes Kodiak Island, Cook Inlet and its tributaries, and the Copper, Susitna, Tanana and upper Yukon River basins. Although divided into distinct coastal and interior units by the Alaska Range, it is tied together by the Alaska Railroad and the highway system and the heartland of the defense establishment which gives both parts a similar economic and social character and composition. North and West Alaska, the remaining portions of the state to the west and north, embrace the largest land area (approximately 330,000 acres), the most heterogeneous combination of physical characteristics and the sparsest population.

The problems inherent in Alaska's great size and resulting sectionalism are all too obvious. Overall economic development and achievement of political stability and maturity frequently are hampered. On the other hand, attempts to design and apply uniform programs and policies too rigidly to the varying local situations cause further problems. The rate and nature of Alaska's future economic development will, in large part, be influenced by the success of Alaskans in plotting a careful course reflecting the often contradictory requirements of unity of purpose and cooperative effort, on the one hand, and the need to recognize the differences and variety of reality, on the other.

Seasonality

Extreme seasonality is a common economic characteristic of all the Alaska regional economies extending from aboriginal times into the present. Although a long-range trend may be developing which will reduce to a degree the spread between summer and winter activity, the variation is still abnormally high when compared with the annual patterns of economic activity elsewhere. Despite the expansion of the low or non-seasonal distributive and service industries and oil,

^{/1} The first use of these three units in presenting Alaska data was in G. W. Rogers, "Alaska, The Economy and Labor Force," The Status of Labor in Puerto Rico, Alaska, Hawaii, Bulletin No. 1191, U. S. Department of Labor, 1955. It has since been used in a number of other studies by the Alaska Employment Security Commission, U. S. Department of Commerce and others, and will be used in this discussion.

gas and forest products industries, the seasonal pattern of civilian travel and covered employment was marked through the period of the 1950's (refer to Table 1 and 2). Greater variation in the length of a summer and a winter day than anywhere else in the Continental United States and Hawaii and the short seasons between killing frosts are inherent in Alaska's northern location.

Traditionally the problem of seasonal employment has been dealt with through the annual in and out migrations of a substantial nonresident labor force to man the fishing, fish processing, construction and mining industries. Where attempts have been made in recent years to build up a larger resident labor force, the result has been one of the highest annual unemployment rates in the nation. A long-standing aim of development programs, therefore, has been to seek establishment of more year-round industries and create opportunities for off-season employment.

Remoteness

Remoteness from domestic markets has meant that natural resource development has followed a strong colonial economic pattern. Prior to World War II, Alaska was important only as a source of a highly specialized and narrow range of raw or semi-processed products. External trade during the 1931-1940 decade, for example, consisted of annual average out-shipments totaling \$58,758,000 of which the three leading items were canned salmon (\$32,582,000), gold and silver (\$15,904,000) and furs and skins (\$2,607,000). The average annual value of in-shipments (\$28,410,000) was less than one-half the value of out-shipments for the same decade, the three leading commodities being tin cans (\$5,219,000), petroleum products (\$2,679,000) and alcoholic beverages (\$1,978,000).^{/2}

Although this colonial economy has since been overshadowed by the expansion of Alaska's military and Federal Government economy of the forties and fifties, the pattern still puts its mark on Alaska's present natural resource development. Alaska's location, and other factors such as cost and limited resident capital undoubtedly will continue to give the future economy a strong colonial flavor. Another group of problems, therefore, are oriented to the need to safeguard the Alaskan economy from the more undesirable aspects of colonial exploitation. In the area of public policy, for example, the U. S. Forest Service's adherence to prohibition of export of unprocessed logs has met with outstanding success in making the harvesting of these resources contingent upon their primary processing within Alaska and the extension of this policy to state lands could have a similar moderating effect upon future tendencies toward bald exploitation.

The Cost of Living

Seasonality and remoteness combine to explain a number of other economic "facts of life" in Alaska. The first to be brought home to any newcomer to the

^{/2} J. Fisher, External Trade of Alaska, 1931-1940, National Resources Planning Board, Portland, Oregon, 1943.

TABLE 1. SEASONAL PATTERNS -- CIVILIAN TRAVEL

	(Thousands of Persons)			Seasonal Indices	
	<u>Civilian Travel (in and out)</u>			<u>12 mo. av. = 100.0</u>	
	<u>High Month</u>	<u>Low Month</u>	<u>12 Month Average</u>	<u>High</u>	<u>Low</u>
1950	25.6	5.0	13.5	189.9	36.9
1951	34.2	6.9	17.8	192.4	38.9
1952	35.8	9.4	19.8	181.3	47.4
1953	36.7	9.3	20.4	180.1	45.6
1954	39.8	9.1	21.3	186.5	42.8
1955	38.5	8.6	21.2	181.4	40.4
1956	45.7	12.2	24.5	186.6	50.0
1957	53.2	11.0	26.2	202.8	42.1
1958	50.6	10.7	24.4	207.8	43.9
1959	66.2	13.4	29.6	223.5	45.1
1960*	64.8	16.3	32.0	202.5	50.9

High Month: July for 1950, 1953, 1959 and 1960; August in all other years. Low Month: February

* Preliminary

Source: Annual Passenger Traffic Survey, published annually by Alaska Department of Commerce.

TABLE 2. SEASONAL PATTERNS -- COVERED PRIVATE EMPLOYMENT

<u>Calendar Year</u>	<u>Number of Workers</u>			<u>Seasonal Indices</u>	
	<u>High Month</u>	<u>Low Month</u>	<u>12 Month Average</u>	<u>12 mo. av. = 100.0</u> <u>High</u>	<u>Low</u>
1950	38,153	14,439	25,208	151.4	57.3
1951	49,635	18,199	32,605	152.2	55.8
1952	49,995	19,707	32,882	152.0	59.9
1953	45,302	20,411	30,618	148.0	66.7
1954	38,459	19,692	27,281	141.0	72.2
1955	40,257	18,452	28,763	140.0	64.2
1956	43,445	20,829	30,493	142.5	68.3
1957	41,924	21,466	29,525	142.0	72.7
1958	38,272	20,925	28,344	135.3	73.8
1959	37,155	22,538	29,892	124.3	75.4

High Month: August for 1950, 1951, 1958 and 1959. July for all other years.

Low Month: February for 1950, 1955, 1957 and 1958. January for all other years.

Source: Alaska Employment Security Division.

state is that it costs more to live in Alaska, no matter where he lands, than anywhere else in the nation. The lack of local self-sufficiency and the cost of bringing the necessities of life from distant supply points via ship, air or truck, plus the higher distributive expenses arising from limited and seasonal markets, pyramid to increase the cost of living. This in turn interacts with wage and salary levels to further increase the cost of doing business. These "natural causes" for high costs are further reinforced by the cost-plus contract characteristics of the military construction economy. Seasonality further pyramids labor costs through its adverse effects upon the attempt to provide an unemployment insurance system.

Nonresident Orientation

Seasonality and remoteness also combine to give Alaska its strong non-resident orientation. Although there have been countering forces during the past two decades associated with the increase in resident population and labor force and, more specifically, the granting of statehood, this remains as an important characteristic of Alaska's economy and population because of the continued necessity to rely upon a nonresident seasonal labor force and outside investment capital, the continued limitations upon the extent of local processing of natural resource products, and so on.

Defense Significance and Federal Spending

Alaska's strategic international location determined Seward's original intention to purchase this territory for the United States, but it was not until the advent of the air age and World War II that its fullest military importance was recognized and exploited. This factor alone has been responsible for Alaska's phenomenal population growth and economic development during the forties and fifties and contributed greatly to the ultimate achievement of statehood. Although the physical benefits of these developments have been great -- expansion of local markets for Alaskan products, extension and improvement of transportation and communications, etc. -- it was not an unmixed blessing. The great growth of Alaskan employment and business has been derivative and is highly dependent upon military and federal spending for its support.

This relationship between federal spending and induced private economic activity has often been likened to a giant public works relationship. There are parallels in that this spending has had multiplier effects upon secondary and tertiary levels of economic activity. Alaska has not, however, enjoyed any significant "pump priming" effects in the all-important basic or primary level of its economy. With the possible exception of only "mining" (native sand, gravel, and building stone utilized in construction), virtually all of the spending for materials and equipment which would stimulate production in primary and secondary industries has been made outside the state. Competition for the once scarce item, labor, has caused a bidding up of costs, further reinforced by the

cost-plus nature of much government contracting, which has had an effect opposite to pump priming upon the basic nongovernmental economy. The result has been that although there has been an impressive build-up in the total level of economic activity, it is not self-sustaining after the introduction of federal money is reduced.

The continuation of the "Cold War" and the ever-present threat of an outbreak of "Hot War," either limited or all-out, can be taken as one of the "givens" in speculating about Alaska's future economy. But the technology of warfare and the adjustment of planning strategy to accommodate it is a highly dynamic variable. Alaska's present problems of increasing unemployment and local economic distress arise from such factors as the decline in construction activity, the out-movement of armed forces personnel and their redeployment in accordance with changing defense concepts.

For the immediate future, therefore, Alaska's most pressing economic problems will be concerned with the promotion of a transition from a military-federal economic base to a broader and more stable natural resource economic base.

Population

Population characteristics and changes reflect a whole complex of interacting economic and social factors and, consequently, present a convenient if somewhat indirect measure of a regional economy and its performance. It is possible, through the use of the official census enumerations since 1880 and earlier attempts at population estimation, to reconstruct and describe the entire course of Alaska's history from the time of its first European contacts until April 1, 1960. As a general introduction to this discussion, a brief look will be taken at the broad trends in population classified as Native (those Alaskans of Indian, Eskimo and Aleut ancestry) and non-Native (refer to Table 3). The first official census of the United States in 1880 reported a total of 33,426 Alaskans with all but 430 persons being of aboriginal or Native stock. The growth of the non-Native segment until 1909 reflects the successive development of fisheries and gold mining, and its decline over the next two decades corresponds to the decline of Alaska's economy following World War I. The increase between the 1929 and 1939 census reports reflected the revival of gold mining as a result of price changes and the effects of the depression, while the phenomenal expansion of the past two decades reflects the impact of World War II and its "Cold War" aftermath.

The Native Population

The trend of Native Alaskan population has followed the traditional pattern associated with the initial contact between an indigenous primitive people and a disruptive nonindigenous influence. The estimated decline during the Russian

TABLE 3. GENERAL POPULATION TRENDS

<u>Date</u>	<u>Total</u>	Native		Non-Native	
		<u>No. Persons</u>	<u>Trend*</u>	<u>No. Persons</u>	<u>Trend*</u>
1740 (Est.)	74,700	74,700	100.0	---	---
1839 (Est.)	39,813	39,107	52.8	706	0.4
1880	33,426	32,996	44.6	430	0.2
1890	32,052	25,354	34.3	6,693	3.7
June 1, 1900	63,592	29,536	39.9	34,056	18.6
Dec. 31, 1909	64,356	25,331	34.2	39,025	21.3
Jan. 1, 1920	55,036	26,211	36.0	28,825	15.7
Oct. 1, 1929	59,278	29,851	40.5	29,427	16.1
Oct. 1, 1939	72,524	32,248	43.8	40,276	22.0
April 1, 1950	128,643	33,861	45.8	94,782	51.8
April 1, 1960	226,167	43,081**	57.7	183,086	100.0

* Number of persons expressed as percentage of maximum for each series.

** Estimated on the basis of incomplete breakdown on Native races in the 1960 Census (more accurate data will be available at a later date).

Sources: 1740 based on estimates in J. P. Swanton, The Indian Tribes of North America, Bureau of American Ethnology, 1952. 1839 based on estimates by Veniaminof (1835) and Douglas (1839) as published in Petrov, Report on the Population, Industries and Resources of Alaska, 1884, other data from official U. S. Census reports.

period reflected a certain amount of harsh economic exploitation, particularly of the Aleuts, but primarily the ravages of small pox plagues which swept northward from the Columbia River area into the Yukon Basin. The steady upward trend observable since 1909 undoubtedly is a measure of the success of health and welfare programs and economic betterment.

Population Growth

The growth of population during the 1940's and 1950's is clearly related to fluctuations in the size of the military establishment in Alaska. This can be traced through an examination of official annual population estimates of the U. S. Bureau of the Census.^{/3} The seasonally adjusted monthly data as of July of each year for total population broken down into military personnel (excluding military dependents and civilian employees of the Department of Defense) and civilian population are presented in Table 4 against a rough yardstick of turning points in the international military picture. Although there is a direct interrelation between the two sectors (a product of changing status of Alaska from a staging area to a garrison condition and varying official policy as to the presence of military dependents), the pattern of their trends are quite different. Following several sharp ups and downs, military personnel now seems to be assuming a steady downward trend and civilian population has experienced a decrease in its rate of increase.

A clearer understanding of the nature of recent population trends can be gained from an examination of the major sources of the annual population changes (refer to Table 5). During the fifties, military personnel reflected a net in-migration in four years (1951, 1952, 1955, and 1957), a net out-migration in four years (1950, 1954, 1956, and 1958) and remained approximately constant in two years (1953 and 1959). Non-Native civilian population has reflected a similarly high mobility although the pattern differed. During the first four years of the period there was a substantial excess of arrivals of new people over departures, for the next five years the trend was reversed -- the departures exceeding arrivals by substantial amounts -- while during 1959 there was another net in-migration. The net natural increase (excess of live births over deaths) has trended upward in both rate and absolute numbers from 1950 to 1955, the increase since being at a steadily decreasing rate and amount. Except in 1958, this has been more than sufficient to offset the net out-migrations in this population sector.

^{/3} These estimates are more than mere informed guesses. They are based upon actual birth and death data and either estimated migration (through use of school enrollment as indices) or actual migration data. It also should be understood that the estimates are not intended to represent population at any given date. Because of the extremely high seasonal monthly fluctuations, the monthly estimates are reduced to reflect the general secular trend through conversion to twelve month moving averages centered on each month. The reported figures for each year are the moving averages as of July.

TABLE 4. AVERAGE ANNUAL POPULATION ESTIMATES FOR ALASKA -- 1940-1960

<u>Adjusted Monthly Average as of July 1</u>	<u>Total Population</u>	<u>Military Personnel</u>	<u>Civilian Population</u>
<u>Prelude to World War II Entry</u>			
1940	75,000	1,000	74,000
1941	88,000	8,000	80,000
<u>World War II</u>			
1942	141,000	60,000	81,000
1943	233,000	152,000	81,000
1944	185,000	104,000	81,000
1945	139,000	60,000	79,000
<u>Interlude -- Post-World War II to Korean War</u>			
1946	99,000	19,000	80,000
1947	108,000	25,000	83,000
1948	120,000	27,000	93,000
1949	130,000	30,000	100,000
1950	142,000	26,000	116,000
<u>Post-Korean War Period</u>			
1951	164,000	38,000	126,000
1952	196,000	50,000	146,000
1953	212,000	50,000	162,000
1954	218,000	49,000	169,000
1955	221,000	50,000	171,000
<u>Interlude -- Jets to Missiles</u>			
1956	220,000	45,000	175,000
1957	228,000	48,000	180,000
1958	213,000	35,000	178,000
1959	220,000	34,000	186,000
1960	228,000	N.A.	N.A.

Sources: Population estimates for 1940 through 1949 from U. S. Bureau of the Census Current Population Reports, Series P-25, No. 80, October 7, 1953, Wash., D. C. Population estimates for 1950 through 1959 from Current Population Estimates, Series P-25, Nos. 229-230.

The Military Sector

Because military personnel were permitted and even encouraged to bring their dependents to Alaska in recent years, the direct effect of military movements upon civilian migrations was undoubtedly marked (data are not available). The records of live births by military status of father give further evidence of the importance of this sector in adding to the civilian population (refer to Table 6). All of these factors indicate that a continuation of outward movement of military personnel undoubtedly will have a multiplier influence upon total future population.

Sparsity of Population

Turning from trends over time to human occupancy of Alaska in terms of space, it will be seen that despite the relatively large increases in population between the last two census dates, the state is still sparsely settled. The 1960 census enumeration represents a population density of only 0.386 of a person per square mile of land area as compared with the United States average of 50.7 persons per square mile. The location of the bulk of the civilian population can be quickly indicated by locating the places having populations of 1,000 persons or more. Starting at the southernmost tip of the Panhandle and continuing counterclockwise around the coastal regions fronting on the North Pacific Ocean, these are Ketchikan, Wrangell, Petersburg, Sitka-Mt. Edgecumbe, Juneau-Douglas, Cordova, Seward, Homer and Kodiak. Tracing the remainder of the coastline northward up the Bering Sea, somewhat inland is Bethel, then Nome, and finally Kotzebue and Barrow exhaust the list. Moving inland, there are only three centers in this category, Anchorage, Palmer and Fairbanks and their environs. In 1950 these few spots on the map, plus personnel in the military installations, accounted for 55.4 per cent of the total population, and by 1960 they embraced 62.6 per cent.⁴ The remainder of the population is scattered among the Indian villages in the Panhandle and the Eskimo centers up the Bering Sea and Arctic coasts and the river basins draining into them. The population in only two of these centers, Anchorage and Fairbanks and their environs, accounted for 45.6 per cent of the total state population in 1960.

Male-Female Population Ratio

The high ratio of males to females is perhaps the most publicized characteristic of Alaska's population. This applies only to non-Native population, the balance between sexes in the Native sector being almost equal as far back as census records extend. In the non-Native sector the unbalance has been spectacular, although there has been a continuous trend toward a more equitable

⁴ Included in the total population at these centers are the immediately surrounding or adjacent communities and population. For example, Sitka includes Mt. Edgecumbe; Juneau includes the town of Douglas and population on the Glacier Highway; Anchorage includes the entire election district and Fairbanks the population of all places within the school district.

TABLE 5. MAJOR SOURCES OF ANNUAL POPULATION CHANGE

12 Month Moving Average as of July 1	Total Population	Annual Increase (Decrease)	Sources of Increase (Decrease)		
			Military Movements	Civilian Migration	Natural Increase
1950	142,000	12,000	(4,000)	13,500	2,500
1951	164,000	22,000	12,000	7,200	2,800
1952	196,000	32,000	12,000	16,200	3,800
1953	212,000	16,000	---	11,000	5,000
1954	218,000	6,000	(1,000)	900	6,100
1955	221,000	3,000	1,000	(4,400)	6,400
1956	220,000	(1,000)	(5,000)	(2,500)	6,500
1957	228,000	8,000	3,000	(1,700)	6,700
1958	213,000	(15,000)	(13,000)	(8,500)	6,500
1959	220,000	7,000	(1,000)	2,000	6,000
1960	228,000	8,000	N.A.	N.A.	N.A.

Source: U. S. Bureau of the Census, Alaska Department of Commerce and Alaska Department of Health and Welfare.

TABLE 6. TOTAL ANNUAL BIRTHS BY MILITARY STATUS OF FATHER (Occurrence Data)

<u>Calendar Year</u>	<u>Total Live Births</u>	<u>Military</u>		<u>Civilian</u>	
		<u>Number</u>	<u>Per cent</u>	<u>Number</u>	<u>Per cent</u>
1950	3,705	635	17.1	3,070	82.9
1951	4,496	1,259	28.0	3,237	72.0
1952	5,786	2,110	36.5	3,676	63.5
1953	6,780	2,880	42.5	3,900	57.5
1954	7,039	2,970	42.2	4,069	57.8
1955	7,348	3,212	43.7	4,136	56.3
1956	7,619	3,332	43.7	4,287	56.3
1957	7,845	3,534	45.0	4,311	55.0
1958	7,051	2,730	38.7	4,321	61.3
1959	6,983	2,369	33.9	4,614	66.1
1960	7,463	2,659	35.6	4,804	64.4

Source: Alaska Department of Health and Welfare, Office of Vital Statistics.

ratio. According to the 1890 census, the first for which there was any significant number of non-Native persons enumerated, there were only 7 females per 100 males. By 1920 there were 35 females; by 1950, 53 females; and 1960, 72.5 females per 100 males.^{/5} For earlier years this reflects the major employment in the dominantly male pursuits of fishing and mining and more recently the influx of construction workers and military. This unbalance is also a sign that the population is basically unstable and subject to sudden changes in direction of its trends, either upwards or downwards, in response to basic economic changes. The growing ratio of women to men, however, is an indication that Alaska's population is becoming more stable.

Age Characteristics of Population

The second most publicized characteristic is the youth of Alaska's population. In 1960 the median age was 23.3 years as compared with 29.5 years for the nation as a whole. This reflects a number of economic and social factors -- the high mortality rates among the Native population, the large numbers of draft age military personnel and their dependents, and the practice of a great many of those in the non-Native sector to leave the state when they reach retirement age. Of crucial importance in any study of Alaska's need for taxes and probable ability to provide tax revenues is a comparison of the population of working age and those likely to be dependents (children and old folks). Table 7 makes a summary comparison of main age groups by sex and race.

Regional Population Characteristics

A further discussion of population characteristics can be made more meaningful if presented with a geographic dimension. The three major socio-economic regional units described in the introduction will be used as a basis for comparing certain major characteristics revealed by the last three census reports. The distribution of Native population is presented in Table 8. The heaviest concentration of Native population in relation to area is to be found in the Southeast region, while the greatest relative importance of Native to total population is in the North and West region. Detailed studies bear out this more general indication that these are the regions in which aboriginal institutions, attitudes and ways of life are still significantly operative and in which are to be found problems of transition to new ways of life attendant upon new economic developments.

The regional distribution of non-Native population and the increase between each census date indicate the degree to which newer forms of Alaskan development superseded the old. All regions exhibited continued growth, but the difference in rates has been marked. It is to be expected; therefore, that the Central and Interior region will represent most clearly the new "Alaska" of the 1950's and exhibit the social and economic problems common to large-scale migration and settlement in a relatively empty land. (Refer to Table 9.)

^{/5} 1960 figure excludes all non-White races.

TABLE 7. MAJOR AGE, SEX, AND COLOR CHARACTERISTICS -- 1960

	<u>TOTAL</u>		<u>WHITE</u>		<u>NON-WHITE</u>	
	<u>No. Persons</u>	<u>Per cent of Total</u>	<u>No. Persons</u>	<u>Per cent of Total White</u>	<u>No. Persons</u>	<u>Per cent of Total Non-White</u>
<u>TOTAL</u>	226,167	100.0	174,546	100.0	51,621	100.0
Children (0-18 yrs)	88,896	39.3	63,067	36.1	25,829	50.0
Working Age (19-64 yrs)	131,885	58.3	107,655	61.7	24,230	46.9
Retirement Age (65 yrs & over)	5,386	2.4	3,824	2.2	1,562	3.0
<u>MALE</u>	128,811	57.0	101,194	58.0	27,617	53.5
Children (0-18 yrs)	45,647	20.2	32,440	18.6	13,207	25.6
Working Age (19-64 yrs)	79,819	35.3	66,267	38.0	13,552	26.2
Retirement Age (65 yrs & over)	3,345	1.5	2,487	1.4	858	1.7
<u>FEMALE</u>	97,356	43.0	72,352	41.4	24,004	46.5
Children (0-18 yrs)	43,249	19.1	30,627	17.6	12,622	24.4
Working Age (19-64 yrs)	52,066	23.0	40,388	23.1	10,678	20.7
Retirement Age (65 yrs & over)	2,041	0.9	1,337	0.8	704	1.4

TABLE 8. REGIONAL DISTRIBUTION OF NATIVE POPULATION -- 1939, 1950, 1960

<u>Census Date</u>	<u>Southeast</u>	<u>Central & Interior</u>	<u>North & West</u>
October 1, 1939	6,502	6,025	19,931
April 1, 1950	7,929	6,131	19,824
April 1, 1960 (Est.)	9,242	9,317	24,522
1960 Native population per 100 square miles (Approx.)	246	43	74
1960 Native population as per cent total population	4.09	3.82	11.13

TABLE 9. REGIONAL DISTRIBUTION OF NON-NATIVE POPULATION -- 1939, 1959, 1960

<u>Census Date</u>	<u>Southeast</u>	<u>Central & Interior</u>	<u>North & West</u>
October 1, 1939	18,739	17,402	3,925
April 1, 1950	20,275	65,304	9,181
April 1, 1960 (Est.)	26,161	146,885	10,040
Per cent increase between: October 1, 1939 - April 1, 1950	8.2	375.3	233.9
April 1, 1950 - April 1, 1960	29.0	124.9	9.4

The major cause of the regional differences in rate of growth is identified by a comparison of the relative changes in military and civilian population composition and growth. (Refer to Table 10.)

Employment

A wealth of employment data exists in the records of the Alaska Employment Security Commission and other government records. The data in themselves, however, are not complete in coverage and it is necessary to resort to partial estimates in giving any total employment picture. Discussion of trends here will be based upon an estimate of total employed labor force trends during the 1950's.^{/6} Total employed labor force trends were analyzed (rather than total labor force, or resident labor force, etc.) only because of the nature of statistical data available. Table 11 presents the twelve month moving average at the mid-point of each year for the period 1950 through 1959 and the trend for three major employment categories -- military, civilian government (Federal, State, Local), and private (including self-employed and unpaid family workers).

Since 1955 the trend in military personnel has been significantly downward, civilian government employment was steadily upward until 1957, and has since become stabilized at about that level, while private employment reached its peak in 1952 and at a slightly lower level thereafter achieved a plateau with minor annual fluctuations.

The levels in the first two employment categories (military and civilian government) are in large part dependent upon purely policy considerations, both national and international, and their future levels will be determined by broad national defense policies, decisions as to continuation of federal civilian programs and the ability of the state to expand its programs, etc. This points up the key role played by government at all levels in Alaska's recent experience and the shift from a basically private to public enterprise orientation. This also means that private employment itself is largely an indirect reflection of decisions made in the public sector of the economy and to a lesser degree the working of underlying economic factors. This dependence will be covered in more detail in the discussion of income given below.

Composition of Private Employment

Due to the broad coverage of the Alaska Employment Security Program (firms employing one or more persons), employment statistics provided by this agency are a good indication of the industrial composition of private wage and salary employment. The twelve month moving average of "covered employment"

^{/6} Manuscript by George W. Rogers prepared as part of background for a broader study of Alaska's economic development to be published in 1962.

TABLE 10. REGIONAL DISTRIBUTION OF MILITARY AND CIVILIAN POPULATION --
1939, 1950, 1960

Major Regions and Census Dates	Total	Military		Civilian	
		No. of Persons	Per cent	No. of Persons	Per cent
<u>October 1, 1939</u>					
Southeast	25,241	475	1.9	24,766	98.1
Central & Interior	23,427	10	*	23,417	100.0
North & West	23,856	15	*	23,841	100.0
<u>April 1, 1950</u>					
Southeast	28,203	660	2.3	27,543	97.7
Central & Interior	71,434	16,236	22.7	55,199	77.3
North & West	29,005	3,511	12.1	25,494	87.9
<u>April 1, 1960</u>					
Southeast	35,403	609	1.7	34,794	98.3
Central & Interior	156,202	27,636	17.7	128,566	82.3
North & West	34,562	4,447	12.9	30,115	87.1

* Negligible

TABLE 11. EMPLOYED LABOR FORCE, MAJOR TRENDS

12 Month Moving Average as of July 1	Total Employed Labor Force	Military Personnel		Civilian Government Employment		Private Employment	
		No. of Persons	Trend	No. of Persons	Trend	No. of Persons	Trend
1950	74,000	26,000	52.0	12,000	58.5	36,000	77.4
1951	96,000	38,000	76.0	12,000	58.5	46,000	98.9
1952	109,000	50,000	100.0	12,500	61.0	46,500	100.0
1953	108,000	50,000	100.0	14,000	68.3	44,000	94.6
1954	105,000	49,000	98.0	16,000	78.0	40,000	86.0
1955	111,500	50,000	100.0	19,000	92.7	42,500	91.4
1956	109,000	45,000	90.0	19,500	95.1	44,500	95.7
1957	111,000	47,000	94.0	20,500	100.0	43,500	93.5
1958	97,000	35,000	70.0	20,000	97.6	42,000	90.3
1959	98,700	34,500	69.0	20,500	100.0	43,700	94.0

Source: G. W. Rogers worksheets -- based upon Alaska Employment Security Commission covered employment and government employment records.

at mid-year for 1950 through 1959 is presented in Table 12. Of the three major categories segregated, construction employment is primarily a function of military and government programs, employment in other commodity producing industries is a function of economic development arising generally from utilization of Alaska's natural resources, and all remaining employment in distributive industries is indirectly a function of all the other categories (including military and government). Construction employment reached its peak in 1951 and generally declined after, the level of the past three years being about half that of the peak year. A similar trend was experienced in employment in other commodity producing industries, although the decline was not so drastic and became relatively stabilized over the last five years below the peak. Other employment continued upward until 1957 and has since leveled off.

Changes in Employment Pattern

Viewed over a longer range period, the changes in Alaska's employment patterns as revealed in employment security data, are quite marked. (Refer to Table 13.) Mining and salmon canning together constituted 53.2 per cent of total covered employment during calendar year 1940 as compared with only 13.3 per cent of the total for 1957 and 10.1 per cent for fiscal year 1960. Covered employment in construction was only 11.5 per cent of the total for all industries in 1940, rose to 51.4 per cent for 1942 as construction of defense facilities was frantically rushed, following a substantial decline during the 1940's it again rose to 32.2 per cent as the new defense establishment was constructed and has since fallen in relative importance to 17.0 per cent for 1960. The increase in importance of distributive industries (transportation, communications, utilities, trade, finance, insurance, real estate, services) increased steadily from 30.0 per cent of all industries in 1940 to 61.8 per cent in 1960.

The increased importance of distributive industries is perhaps the most significant continuing trend in any consideration of Alaska's future pattern. The relaxation of restrictions against and the encouragement of dependents of military personnel coming to Alaska, the more specialized nature of the new labor force, the higher urban concentration of population, the rising per capita income -- these and similar factors have all brought forth a proportionately higher demand for professional and personal services, utilities, trade, etc., than was the case in the smaller, less developed and more specialized Alaska of fishing, canning, trapping and mining.

The changes in composition of the covered labor force have also been accompanied by differing trends within each major industrial classification. Looking at the same data in absolute terms and comparing the percentage changes, it will be seen that there have been differences not only in rate of change, but in direction. (Because coverage was extended from employers of eight or more workers to employers of one or more after July 1, 1945, Table 14 compares average monthly employment for calendar years 1946 and 1960. If comparable

TABLE 12. MAJOR COVERED EMPLOYMENT TRENDS

12 Month Moving Average as of July 1/ ¹	Total Covered Employ- ment	Construction		Commodity Producing Industries/ ²		Distribution Industries/ ³	
		No. of Persons	Trend	No. of Persons	Trend	No. of Persons	Trend
1950	25,032	6,152	58.9	7,851	97.2	11,029	61.3
1951	32,457	10,438	100.0	8,075	99.96	13,944	77.4
1952	32,876	9,864	94.5	8,078	100.0	14,934	82.8
1953	30,759	8,506	83.4	7,408	92.7	14,645	81.4
1954	27,301	7,387	70.8	6,287	77.8	13,627	75.7
1955	28,625	6,389	61.2	6,841	84.7	15,395	85.5
1956	30,460	7,422	71.1	6,627	82.0	16,411	91.2
1957	29,593	5,924	56.7	6,622	81.0	17,047	94.7
1958	28,627	5,837	55.9	6,654	82.4	16,136	89.6
1959	29,807	5,783	55.4	6,026	74.6	17,998	100.0

¹ All covered employment data July 1, 1950, through July 1, 1958, presented as 12 month moving average (centered) computed from actual monthly employment data provided by Alaska Employment Security Commission, July 1, 1959, based upon actual data through 1959 and monthly estimates for balance of calendar year.

² Agriculture, fishing, forestry, mining, manufacturing (Industrial Codes 01-14, 19-39, 94-99).

³ Transportation, communication, public utilities, trade, finance, insurance, real estate, service (Industrial Codes 40-89).

Source: Alaska Employment Security Division data.

TABLE 13. RELATIVE INDUSTRIAL COMPOSITION OF ANNUAL COVERED EMPLOYMENT

	<u>1940</u>	<u>1942</u>	<u>1946</u>	<u>1951</u>	<u>1957</u>	<u>1960</u>
Mining	26.4	10.3	9.3	5.0	4.4	3.8
Construction	11.5	51.4	10.7	32.2	19.9	17.0
Salmon Canning	26.8	16.0	29.0	14.8	8.9	6.3
Other Mfg.	4.5	3.1	5.9	3.9	7.3	10.6
Distributive	30.0	26.5	44.7	43.1	57.6	61.8
Other & N.E.C.	0.8	0.5	0.4	1.0	1.9	0.5

1960 fiscal year. All others, calendar years.

Source: Alaska Employment Security Division annual reports.

TABLE 14. AVERAGE MONTHLY COVERED EMPLOYMENT -- BY INDUSTRIAL CLASSIFICATION -- 1946 - 1960

	<u>Employment</u>		Per cent Increase (Decrease)
	<u>1946</u>	<u>1960</u>	
<u>TOTAL</u>	15,408	31,209	102.6
Mining	1,440	1,174	(18.5)
Construction	1,650	5,313	222.0
Salmon Canning	4,473	1,969	(56.0)
Other Mfg.	906	3,317	266.1
Distributive	6,883	19,293	180.3
Other & N.E.C.	56	143	155.4

1946 = calendar year. 1960 = fiscal year.

Source: Alaska Employment Security Division annual reports.

TABLE 15. AVERAGE MONTHLY COVERED EMPLOYMENT BY INDUSTRY AND REGION -- CALENDAR YEARS 1954 THROUGH 1957

	<u>Southeast</u>		<u>Central & Interior</u>		<u>North & West</u>	
	<u>No. of Workers</u>	<u>Per cent</u>	<u>No. of Workers</u>	<u>Per cent</u>	<u>No. of Workers</u>	<u>Per cent</u>
<u>ALL INDUSTRIES</u>	6,339	100.0	21,171	100.0	1,507	100.0
Mining	42	0.7	910	4.3	285	18.9
Petroleum and Natural Gas	--	--	72	0.3	--	--
Construction	477	7.5	6,175	29.1	115	7.6
Salmon Canning	1,133	17.9	965	4.6	555	36.8
Lumber and Pulp	1,255	19.7	80	0.4	--	--
Other Mfg.	170	2.8	605	2.8	15	1.1
Distributive Industries	3,262	51.4	12,364	58.5	537	35.6

Source: G. W. Rogers, "Analysis of the Alaska Economy and Its Future Outlook," Vol. II, Financing Alaska's Employment Security Program, Alaska Employment Security Commission, October 1958, p. 28.

data were available back to 1940, the differences in trends undoubtedly would be more marked.)

Regional Employment Differences

A study recently made of the industrial composition of covered employment for the period 1954 through 1957 by regional units indicates the significant differences in the pattern of employment geographically. (Refer to Table 15.)^{/7} Mining appeared as a major source of employment only in North and West Alaska (18.9 per cent of total covered employment), contract construction only in Central and Interior Alaska (29.1 per cent of total covered employment) and lumber and pulp only in Southeast Alaska (19.7 per cent of total covered employment). Salmon canning is of highest importance in North and West Alaska primarily due to the Bristol Bay fisheries (36.8 per cent), of secondary importance in Southeast Alaska (17.9 per cent), and very minor importance in Central and Interior Alaska (4.6 per cent). Distributive Industries accounted for 58.5 per cent of total covered employment in Central and Interior, 58.8 per cent in Southeast, and 34.9 per cent in North and West Alaska. These differences in relative importance undoubtedly reflect underlying differences in degree of labor specialization and self-sufficiency of the population of each region, and this in turn could be explained in terms of size of population and the type and stage of basic economic development.

Income

Since 1929 the United States Department of Commerce has produced an annual series of personal income by states. The recent inclusion of Alaska in the series should provide an unusually important means of analyzing and understanding the state's economy as is indicated in the statement of the measure's nature. "Personal income is the most comprehensive economic measure available on a geographic basis. It covers the income received by residents of a state from business establishments, federal and state and local governments, households and institutions, and foreign countries. All forms of income flowing to persons from these sources are included."^{/8} Despite the obvious limitation of these data for Alaska due to the exclusion of income earned in Alaska by nonresidents (estimated to be about 10 per cent of income received by residents), they are the most comprehensive and reliable indicators presently available of the composition of income by sources and form of payment as well as trends. Other

^{/7} G. W. Rogers, "Analysis of the Alaska Economy and Its Future Outlook," Vol. 11, Financing Alaska's Employment Security Program, Alaska Employment Security Commission, October 1958, pp. 26-29.

^{/8} Robert E. Graham, Jr., Income in Alaska, A Supplement to the Survey of Current Business, U. S. Department of Commerce, June 1960, p. 26. --

indicators of income might be examined, such as Alaska income tax and business license tax data, but this discussion will refer only to the personal income study made for the period from 1950 through 1959.

Sources of Personal Income

Table 16 summarizes personal income for the entire period by major sources. The composition bears out the conclusions as to the nature of the underlying economy which have been drawn from population and employment data. Government accounted for half or more of total personal income received by Alaskan residents, national defense payrolls being the cause of this high proportion. In 1959, for example, military payrolls totaled \$112 million and the earnings of civilian employees of defense agencies another \$50 million, these two sources alone accounting directly for almost one-third of all income. In the United States as a whole, defense accounted for only 3.5 per cent of total income. The largest source of private income was contract construction (primarily defense related) earnings in this category ranging from one-fifth to one-third of all private income over the period studied (as compared with a 5 per cent national average). All manufacturing accounted for only 4 per cent of total income in 1959 (as compared with nearly 25 per cent for the nation as a whole).

According to the report, "Federal disbursements to individuals are not a complete measure of the importance of government as a source of income to residents of the state. The measure does not include income flowing from federal construction projects; the operation of the DEW line and White Alice systems by the communications industry (which employs about 1,000 persons in this activity); or the income arising as a result of the many other government purchases from industry such as transportation, fuel, and supplies. The wages and salaries, profits, and other income shares disbursed by private business selling to government are included in the business or nongovernmental sector of the state's economy." ^{/9}

Type of Income

Further insights into the nature of the economy are afforded by the statistics developed on income by type. The comparison of the percentage distributions in 1950 and 1959 for Alaska and the United States are summarized in Table 17. The above-average importance of payrolls and the below-average proportion of proprietors' income in Alaska are a reflection of the larger role of government and the lesser one of farming. The lesser role of property income in Alaska is attributable to the above-average per capita income, the amount of military payrolls in the total economy and the smaller average dollar return on investments in Alaska. Transfer payments are relatively smaller in Alaska because of the large number of military personnel and the high average incomes in most other wage and salary components. ^{/10}

^{/9} Ibid. p. 5

^{/10} Ibid. pp. 8-10.

TABLE 16. PERSONAL INCOME IN ALASKA, BY MAJOR SOURCES, 1950-59 (Millions of dollars)

	1950	1951	1952	1953	1954	1955	1956	1957	1958	1959
PERSONAL INCOME	319.0	439.0	485.0	506.0	493.0	500.0	548.0	537.0	527.0	556.0
Government income disburse-										
ments	165.5	200.8	240.3	265.2	265.7	276.4	277.2	280.8	272.2	275.9
Federal	153.0	185.1	223.6	245.8	245.4	252.5	247.5	250.6	238.7	238.9
Net civilian earnings	61.5	67.5	76.4	85.7	83.6	88.8	90.5	91.1	100.7	107.1
Military earnings	82.0	109.5	136.3	147.2	147.0	148.7	142.2	142.2	118.7	112.3
Other	9.5	8.1	10.9	12.9	14.8	15.0	14.8	17.3	19.3	19.5
State and local	12.5	15.7	16.7	19.4	20.3	23.9	29.7	30.2	33.5	37.0
Private income	153.7	238.2	244.5	241.1	227.7	223.2	270.6	256.5	254.6	280.6
Earnings of persons in:										
Contract construction	38.4	84.0	74.9	69.2	59.6	53.7	79.4	58.5	50.5	51.2
Manufacturing	13.5	13.6	15.7	16.8	15.4	17.5	22.0	21.5	19.1	22.8
Fish processing	7.0	6.1	7.3	7.9	3.6	3.8	5.9	5.4	3.9	3.4
Other manufacturing	6.5	7.5	8.4	8.9	11.8	13.7	16.1	16.1	15.2	19.4
Mining	11.2	11.2	12.6	12.2	10.1	9.3	9.8	10.6	9.5	10.8
Fishing	9.6	11.5	11.6	8.9	11.5	9.8	12.5	11.0	10.9	9.5
Agriculture	6.1	7.3	7.4	8.2	9.6	8.0	7.3	7.5	7.2	6.8
Trade	29.4	43.2	47.1	47.1	44.7	43.5	47.8	50.3	48.1	56.7
Services	13.4	25.5	24.8	21.3	18.5	21.7	25.3	27.4	29.8	37.8
Transportation	13.9	19.9	23.8	25.4	24.3	23.9	27.6	26.2	27.7	30.4
Finance, insurance and real										
estate	3.1	4.2	5.4	7.0	7.6	7.8	8.2	8.9	10.0	11.6
Communications and public										
utilities	1.6	1.8	2.2	2.5	3.0	3.1	4.1	6.9	14.1	13.7
Less: Personal contributions										
for social insurance in										
private industry	1.0	1.6	2.1	2.0	2.3	2.7	3.1	3.4	3.6	3.9
Other income	14.5	17.6	21.1	24.5	25.7	27.6	29.7	31.1	31.3	33.2

TABLE 17. PERSONAL INCOME IN ALASKA BY INCOME TYPE

	1950		1959	
	<u>U.S.</u>	<u>Alaska</u>	<u>U.S.</u>	<u>Alaska</u>
	(Per cent Distribution)			
<u>Total Personal Income</u>	<u>100</u>	<u>100</u>	<u>100</u>	<u>100</u>
Wages and salaries	64	83	67	82
Other labor income	2	1	3	2
Proprietors' income				
Farm	6	*	3	*
Nonfarm	10	10	9	7
Property income	13	5	13	6
Transfer payments	7	3	7	4
Less: Personal contributions for social insurance	(1)	(2)	(2)	(2)

* Less than 0.5 of 1 per cent.

Per Capita Income

Per capita income rose from an estimated \$2,246 in 1950 to the highest level the following year (\$2,629) after which it fell steadily back to about the 1950 level in 1954 and 1955, reached a second peak in 1956 (\$2,502), and again fell back for the next two years before reaching a slightly higher level in 1959 (\$2,550). The trend in total income followed a different zig-zag course (the peaks followed by declines coming in 1953, 1956 and 1959) with the highest figure coming in 1959. The 1950's, however, were a period of constantly rising price inflation and wage increases and the real income changes over the period were undoubtedly somewhat different. Using average weekly total wages for employment covered by the Alaska Employment Security Program as an index of average income payment changes (a fairly reasonable procedure, given the broad coverage of this program), the adjusted income trend follows fairly closely the trends already indicated for employment and population. (Refer to Table 18.)

Per capita income in Alaska has declined relative to that of the United States as a whole from 151 per cent of national average in 1950 to 118 per cent in 1959 (Table 19).

Regional Income Differences

These statewide averages, however, do not represent actual situations but combinations of totally unlike quantities. There are parts of Alaska in which per capita incomes are substantially higher than national averages, and other parts which have been officially declared "major disaster areas" and have received distributions of agricultural surplus commodities and other forms of special relief in order to help their residents survive. Accordingly, the personal income study made a special analysis of the total and per capita income characteristics for the three regions described above for the calendar year 1957. Table 20 summarizes the findings of this study which further emphasize the marked regional dimensions of the Alaskan economy. The conclusions of the study present a thumbnail sketch of the three economies.

"The Southeast is the most diversified of the three regions and the least dependent on the Federal Government as an income source. With comparatively few military personnel, it has a substantial private economy based on exports of natural resources -- largely fish and timber products. More than half of all manufacturing in Alaska is carried on in the Southeast.

"The Central area is the center of Federal defense activities, and its private economy is oriented in large degree to servicing the direct requirements of Government or the personal consumption requirements of Federal employees, military and civilian. This section contains more than nine-tenths of all construction and communications activity in the State -- the two high-wage industries that have much to do with the comparatively high per capita income level that prevails.

TABLE 18. TRENDS IN ESTIMATED PERSONAL INCOME

<u>Year</u>	<u>Per Capita Income</u>		<u>Total</u>		<u>Income</u>	
	<u>Dollars</u>	<u>Trend</u>	<u>Unadjusted</u>	<u>Trend</u>	<u>Adjusted*</u>	<u>Trend</u>
			<u>Millions</u>		<u>Millions</u>	
1950	2,246	85.4	319	57.4	319	80.1
1951	2,629	100.0	439	79.0	369	92.7
1952	2,487	94.6	485	87.2	375	94.2
1953	2,387	90.8	506	91.0	387	97.2
1954	2,282	86.8	493	88.7	377	94.7
1955	2,294	87.3	500	90.0	398	100.0
1956	2,502	95.2	548	98.6	371	93.2
1957	2,408	91.6	537	96.6	380	95.4
1958	2,486	94.6	527	94.8	367	92.2
1959	2,550	97.0	556	100.0	374	94.0

* Adjusted by index of average weekly total wages for covered employment (1950 = 100.0).

TABLE 19. COMPARISON OF ALASKA AND UNITED STATES PER CAPITA INCOME

<u>Year</u>	<u>Alaska</u>	<u>United States</u>	<u>Alaska as Per cent of United States</u>
1950	\$2,246	\$1,491	151
1951	2,629	1,649	159
1952	2,487	1,727	144
1953	2,387	1,788	134
1954	2,282	1,772	129
1955	2,294	1,869	123
1956	2,502	1,979	126
1957	2,408	2,052	117
1958	2,486	2,069	120
1959	2,550	2,166	118

TABLE 20. REGIONAL DISTRIBUTION OF PERSONAL INCOME -- CALENDAR
YEAR 1957

	<u>Total Alaska</u>	<u>Southeast</u>	<u>Central & Interior</u>	<u>North & West</u>
<u>Total Income</u> (Millions of dollars)	\$537	\$71	\$415	\$51
<u>Per Capita Income</u>	\$2,408	\$2,025	\$2,695	\$1,500
As Per Cent of U.S. per capita income	118.5	98.7	131.3	73.1
<u>Source of Income</u> (percentage)	100.0	100.0	100.0	100.0
Government payrolls	48.7	28.0	53.0	47.0
Construction payrolls	10.2	4.0	12.0	3.0
Manufacturing payrolls	3.7	14.0	2.0	6.0
Proprietors' income	7.3	16.0	4.0	17.0
Property income	6.0	9.0	5.0	9.0
Transfer payments	3.8	5.0	3.0	8.0
All other income	20.3	24.0	21.0	10.0

Source: Robert E. Graham, Jr., op. cit., pp. 14-17.

"The Central section has an unknown potential in petroleum and gas resources. Exploration and development work in this industry has been a recent stimulus to economic expansion.

"The West is the least developed and least accessible of the three regions. Its economy reflects the influence of a large number of military personnel in relation to civilian population, and the presence of a Native economy based mainly on fishing, hunting, and trapping, with seasonal employment provided by the fish canneries." /11

Cost of Living

Before leaving this discussion of income, mention must be made once more of the generally high cost of living in Alaska. No available measure can be combined into an overall index for the state because of the significant variation in costs from one locality to another. The U. S. Bureau of Labor Statistics has recently inaugurated a regular semi-annual survey and publication of indices for Anchorage and Fairbanks and for 1956 through 1959 the Territory and State of Alaska have produced annual indices for seven cities. The comparison of 1959 cost of living indices for these Alaskan cities with Seattle indicated a range from 19.2 per cent at Ketchikan above Seattle to 48.3 per cent at Nome (Anchorage was 30 per cent and Fairbanks 47.5 per cent above Seattle). /12

Natural Resource Products and Tourism

Natural Resources

Prior to World War II, Alaska's economy was based primarily upon the harvesting and processing of natural resources. As was discussed in the introduction, this was a very narrow and specialized base -- furs, fisheries (primarily canned salmon), and mining (primarily gold). Following 1940 this economy was eclipsed by the rise of the federal-military economy of the 1940's and 1950's, but the old natural resource props were declining in any case. The pack of canned salmon declined from an average annual pack for the five years 1934-38 of 6,905,843 cases to an annual average of 2,514,627 cases for the five years 1955-1959, and although it showed an increase over recent years, the 1960 pack was only 2,550,027 cases. Gold production dropped from an annual production of \$23,524,459 for the five years 1937-1941, to an annual average of \$7,220,000 for 1955-59 and \$6,300,000 for 1960. With the exception of the federally administered Pribilof Islands fur seal harvest, the fur trade is only of secondary

/11 Ibid., p. 15

/12 Alaska Department of Natural Resources, 1959 Consumer Price Index in Seven Alaska Cities, Nov. 15, 1959, p. 15. These are not comparable to the U. S. Bureau of Labor Index.

TABLE 21. ANNUAL VALUE OF PRINCIPAL PRODUCTS FROM NATURAL RESOURCES

(Thousands of Dollars)

<u>Year*</u>	<u>Farm Products (Value to Farmer)</u>	<u>Raw Furs Value</u>	<u>Fisheries Products (Whsle.)</u>	<u>Mineral Products</u>	<u>Sand, Stone, Gravel</u>	<u>Forest Products (f.o.b. mill)</u>
1950	\$1,750	\$5,826	\$100,156	\$14,934	\$ 2,918	\$ 5,650
1951	2,186	6,554	95,916	15,024	4,545	5,200
1952	2,865	6,373	88,534	14,376	11,926	6,200
1953	2,820	5,229	69,671	18,833	5,419	5,650
1954	2,878	5,902	77,879	17,642	6,766	11,500
1955	3,487	6,211	69,723	16,883	8,529	31,000
1956	4,231	5,688	94,618	16,633	6,775	35,800
1957	4,539	5,283	79,472	18,086	10,706	30,500
1958	4,676	4,000	83,743	16,360	5,955	28,800
1959	5,124	3,565	72,203	13,768	5,310	38,200
1960**	5,600	4,500	96,500	16,000	5,350	47,300

* Calendar year except furs which are reported on fiscal year basis.

** Estimated on preliminary data basis.

Source: Annual reports of state and federal agencies. Forest products value; unofficial estimate of value within National Forests, plus estimate of value from other lands.

importance as a means of subsistence income to isolated groups of Alaskans.

Other natural resources contributed to the pre-World War II economic base. Between 1911 and 1938 copper ore production was important (for the years 1915 through 1928 its value exceeded that of gold production), but except for minor outputs since 1938, it has virtually disappeared. A number of other minerals were produced, mostly as by-products of gold and copper, but their total values were never significant over any period of time. Coal, sand and gravel became important with the advent of the military establishment and continue as major components of the natural resource output. Value of products from Alaska's principal natural resources are summarized in Table 21.

Since the mid-1950's, however, natural resources have again begun to emerge as the dynamic for growth in the Alaskan economy. With the start of operation of a dissolving sulfite pulp mill at Ketchikan in June 1954 (500 tons daily capacity) and a second mill at Sitka in June 1960 (400 tons daily capacity), forest products jumped from a minor value to a major item in Alaska's annual income. Prospects for further expansion of this natural resource appear good. Since the discovery well on the Kenai was completed in July 1957, exploration for and production of crude oil and natural gas has expanded to the point where construction of a crude oil pipeline and planning for a 20,000 barrel refinery were justified and a natural gas pipeline is now entering the Anchorage energy and fuel markets. Prospects for continuing expansion are excellent, holding promise of early establishment of important petrochemical industries.

Investigative and development activities in other natural resource areas -- iron, copper, coal in particular -- have been greatly accelerated during the past decade. Alaska's virtually untapped hydroelectric potential is being looked to as a possible catalyst to further development. The most spectacular of these proposals is the development of a mighty hydroelectric power installation at Rampart Canyon on the Yukon River, estimated to have a potential installed capacity of 5 million kilowatts, more than two and one-half times that of Grand Coulee Dam. ^{/13}

Tourism

The most promising potential for immediate increase in Alaska's economic activity is tourism. It is difficult to find data on the income produced by this industry, but various estimates have indicated tourists' expenditures in recent years in the general magnitude of \$20-30 million annually. ^{/14} Prospects are

^{/13} For a comprehensive treatment of Alaska's past, present and prospective natural resources production, refer to: Alaska International Rail and Highway Commission, Transport Requirements for the Growth of Northwest North America, Vol. 2, May 25, 1961.

^{/14} A number of studies are currently being conducted by the University of Alaska, U. S. National Park Service, and U. S. Forest Service which may provide more adequate measures.

TABLE 22. REGIONAL DISTRIBUTION OF NATURAL RESOURCE PRODUCTION --
1954-57.

	<u>Southeast</u>		<u>Central & Interior</u>		<u>North & West</u>	
	<u>Millions</u>	<u>Per cent</u>	<u>Millions</u>	<u>Per cent</u>	<u>Millions</u>	<u>Per cent</u>
(Annual Average Values)						
Commercial fish- eries (whsle.)	\$30.7	50.6	\$32.7	51.9	\$17.0	56.8
Furs (raw)	0.5	0.9	0.4	0.6	3.7	12.4
Other tangible wildlife values	1.3	2.2	6.1	9.7	2.5	8.3
Forest products (fob)	26.8	44.1	2.5	3.9	*	0.1
Mineral products	0.6	0.9	12.3	19.6	5.0	16.6
Sand, stone, gravel	0.5	0.8	6.2	9.9	1.5	5.0
Farm products	0.3	0.5	2.8	4.4	0.3	0.8
TOTAL	\$60.7	100.0	\$62.9	100.0	\$30.0	100.0

* Less than \$50,000

Source: G. W. Rogers, Alaska in Transition, 1960, p. 60.

TABLE 23. LAND STATUS IN ALASKA

<u>Federal Land Reserves</u>	<u>A c r e s</u>		
	<u>1958</u> *	<u>1959</u> *	<u>1960</u> *
Agriculture			
Forest Service	20,742,283	20,742,280	20,742,224
Other	<u>7</u>	<u>23</u>	<u>23</u>
Total	20,742,290	20,742,303	20,742,247
Defense			
Army	192,145	193,692	194,273
Air Force	2,030,032	2,007,296	2,019,833
Navy	35,883	48,481	128,486
Corps of Engineers	<u>489</u>	<u>489</u>	<u>489</u>
Total	2,258,549	2,249,958	2,343,081
Interior			
Bureau of Land Management	27,382,500	28,081,000	28,064,785
Bureau of Indian Affairs	4,167,210	4,072,146	4,072,143
Reclamation	4,810	4,972	4,972
Fish and Wildlife	7,826,388	7,836,834	7,836,834
National Park Service	6,910,485	6,911,258	6,911,258
Other	<u>29,155</u>	<u>38,766</u>	<u>38,296</u>
Total	46,320,548	46,944,976	46,928,288
Interior and Navy			
Pet. Reserve No. 4	23,000,000	23,000,000	23,000,000
Other	155,181	---	---
Unperfected Land Entries	574,928	560,776	1,143,093
Patented and Certified	668,898	683,433	737,332
Vacant and Unappropriated (BLM)	271,761,206.	271,300,154	270,587,559
Total State Land Area	365,481,600	365,481,600	365,481,600

* As of June 30, 1960.

Source: General Services Administration, Washington, D. C.

that the current level of expenditures will increase many-fold over the next few years, and the projections made by the Battelle Memorial Institute of Alaska's economy by 1980 attribute more than half Alaska's projected population increase and income to the growth of tourism.

As has been the case in all other aspects of Alaska's population and economy, there is a varied regional pattern of natural resource production. One analysis of annual average values by the three regions for the four years 1954 through 1957 is summarized in Table 22. The further increase in forest product values and the addition of substantial oil and gas values in more recent years, of course, have changed the pattern further.

Land Ownership and Property

Alaska's total land area of approximately 365 million acres is slightly larger than the combined areas of Washington, Oregon, California, Arizona and Nevada. When Alaska was purchased in 1867 it became the last major acquisition in the Nation's public domain and there has never been land disposal on the scale witnessed in the early settlement of the West. Consequently, a unique pattern of land ownership had developed in which over 99 per cent of the land is presently owned by the Federal Government. Less than two million acres are in private hands and part of this constitutes "unperfected" land entry. The two states with the next largest federal land holdings are Nevada (86.4 per cent) and Utah (69.1 per cent). Less than one per cent of the land area in Alaska has been surveyed.

Reservations and Ranges

Major features of Alaska's land control pattern are summarized in Table 23. By 1960 approximately 92 million acres (25 per cent) had been alienated from the public domain through a series of reservations predominately for national parks, monuments, forests, wildlife refuges, defense and other public purposes. An area of over 270 million acres of vacant, unappropriated and unreserved lands remained under the jurisdiction of the Bureau of Land Management. Since June 30, 1960, an additional 11 million acres were withdrawn from public domain for establishment of the Izembek, Kuskokwim and Arctic National Wildlife Ranges.¹⁵

Federal Holdings

According to a report issued by the House Committee on Government Operations, the Federal Government's holdings in Alaska were worth an estimated \$1,723,780,000 as of June 10, 1960. This amount -- close to the two

¹⁵ In addition, approximately 21 million acres of land reserved under Public Land Order 82 was returned to the public domain.

billion dollar mark -- included 739 installations and some 9,392 buildings located over an estimated 364.5 million acres of federal property. The Defense Department's lands in Alaska of approximately 2.3 million acres amount to one-eighth of the entire withdrawals throughout the United States for defense purposes, and the Government Operations report shows that the improvements on this land and the land itself was worth \$1,414,271,000. Of this, \$4,488,000 was given as the value of the land. The Agriculture Department's Alaska holdings -- largely national forests -- was valued at \$72,087,000, the largest in the United States. Counting the average land value at \$1.59 an acre, the report states that the public domain lands in Alaska were worth \$543,793,000, and improvements on this acreage were set at \$147,429,000. While the chairman of the committee felt that these values were set at a mere fraction of the true worth, nevertheless the committee's report shows the United States has a huge real estate empire in Alaska.

Selection of State Lands

With accomplishment of statehood Alaska was granted the right to select 102,550,000 acres from vacant, unreserved and unappropriated public land. The Statehood Act also provides that the state can select another 400,000 acres of national forest and a like amount of public domain land for the specific purpose of community expansion and recreation, subject to the approval of the Secretary of Agriculture and the Secretary of Interior, respectively. These are the most extensive land grants ever made to a new state -- an area roughly equal to that of California. The selections must be made during the 25-year period following passage of the Act.¹⁶ In addition, Alaska as a new state has rights to its tidelands and submerged lands which may aggregate as much as 40 million acres, some of which are probably oil-bearing as well as of high recreation value. The next quarter century of Alaska's history will be highlighted by this massive land transfer which will provide the state with lands it can sell, lease, grant or otherwise manage to build a sound economic foundation. The acquisition will allow the state to assume an independent role and will place it on a more comparable footing with the other 49 states. In order to meet the deadline on selections, the state must acquire on the average of 4 million acres, or an area the size of Connecticut, each year for the next 25 years. By October 31, 1961, the state had applied for a total of 10,204,313 acres. Tentative approval had been obtained on 1,463,960 acres and actual patent had been obtained on only 283,940 acres. Prior to patent to the state, all lands must be surveyed by the Bureau of Land Management. Limited federal funds and personnel for this function have presented an obstacle to more rapid state acquisition. Only a small fraction of the newly acquired state lands has been disposed of to private parties.

¹⁶ Alaska's rights to this vast area are limited by one proviso. Selections must be made below a federal withdrawal line which extends 5 miles from the north banks of the Porcupine, Yukon and Kuskokwim Rivers in a southwesterly direction. Land above this line can be selected only with explicit approval of the President.

was due to the annual excess of births over deaths rather than further in-migration. Total employed labor force (including military) reached a peak during 1955 and has since leveled off or declined somewhat. Per capita personal income was at its highest during calendar year 1951, after which it dropped sharply and was not regained until 1960 despite continuous inflation in price and wages.

The change in pace of total growth during the 1950's appears to have been accompanied by a shift from a growth to a consolidation economy. Within the private sector, employment in the tertiary or "distributive" industries has been steadily increasing both in absolute and relative terms. During the 1940's covered employment in these industries accounted for between thirty to forty per cent of total employment, during the 1950's it had risen to forty to fifty per cent, and indications for the 1960's (based upon 1959 and 1960) are that it has achieved the importance of accounting for sixty per cent of total covered employment. There has also been an expansion in civilian government employment which reflects an elaboration and extension of governmental services and programs. The reasons for this are many, but are most obvious in the continued trend in population toward a more "normal" balance between sex and age distributions associated with a more developed and stable economy than that found in an earlier Alaska. The increased specialization in labor force, technical requirements of the military establishment, greater concentration of population and economic activity in a few urban centers, the general rise in standards of living during the past two decades (requiring more services, etc.) and possibly growth of tourism have all constituted forces determining this shift in relative importance of employment categories.

Another basic shift in the economy observable from a review of the experience of the last two decades is the movement from a primarily private enterprise to a public enterprise basic economy. With the exception of forest products and oil and gas production during the last few years, the natural resource foundation of the pre-war economy has declined or reached a leveling off. On the other hand, there has been a tremendous expansion in military, government and construction activities during most of this period. The total military in Alaska as of the 1939 census was only 298 men. During most of the next two decades it ranged about 30,000 to 50,000 men. Covered employment in construction averaged 1,240 per month in 1940 as compared with 7,000 to 10,000 per month average during the 1950's. Approximately sixty per cent of total employed labor force were directly employed by government and the forty per cent found in private employment were to a large extent indirectly dependent upon government spending. The sources of personal income during 1959 were about fifty per cent directly from government payrolls (as compared with a national average of only 18%). The underlying supports of the levels of population, employment and income in the Alaska economy have been strongly political (defense and government) in nature, with purely economic factors playing a secondary role.

Although the total trend of economic growth appears to be leveling off, there is evidence that this need not lead to the conclusion that Alaska will

Private Lands and Property

There is very little data available to show the value of private land and property within the state. However, with the exception of a number of scattered canneries, mining properties and homesteads, the majority of the total property valuation is contained within the municipalities or school district boundaries. A state Department of Commerce study showed that 28 of the larger incorporated municipalities (out of a total of 39) had a total assessed valuation of \$343,019,794 in 1959. Of this, \$276,591,918 was real property and \$66,427,876 was personal property.^{/17} A preliminary study was completed for the Alaska Legislative Council in 1960 which showed the ratios of assessed values to market values for various cities and school districts covering over 99 per cent of the assessed valuation in the incorporated areas of the state.^{/18} On the basis of these figures it was estimated in a study prepared for the Alaska State Board of Education that the full valuation of all real and personal property in the state probably amounted to \$758,289,000 in 1959-1960.^{/19} Such estimates can only be considered as general approximations and much more detailed study will be required before private property values can be quantified accurately.

Summary and Conclusions

This discussion of the Alaskan economy has concentrated on the present and immediate past experience. If our concern was to describe and analyze an earlier Alaska, that of the decades of the twenties and thirties, for example, this summary discussion could be given in static terms of structure and organization. Since 1940, however, Alaska has been in an almost constant state of dynamic change and a more appropriate emphasis in its analysis is to identify and examine the several apparent trends in the elements of its basic economy and their changes in relative importance.

With slight variations in timing and intensity of fluctuations, the population, employment, and income series available and presented above all follow a common pattern. The spectacular upward thrust of the forties seems to have exhausted itself by 1953 or 1954 with the passing of the peak in-movement of military personnel in 1952 and the subsequent reversal of movement out of Alaska, and the sharp drop in construction activities following 1951-52. Although population continued to grow, the main source of increase after 1953

^{/17} State Department of Commerce, The Incorporated Towns and Cities of Alaska...Financial Data, 1959, October 1960.

^{/18} Memorandum from Richard J. Tuff, Report of Assessment Methods... (No date).

^{/19} Erick L. Lindman, A Foundation for Alaska's Public Schools, A Report prepared for the Alaska State Board of Education, September 1961.