

79

HCRA

HB 42

-

HB

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Comm

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HB

42

COMMITTEE REPORT

CSHB42

In passing the committee substitute for House Bill 42, the House Local Government felt that the House HWE and Finance Committees should look into a cost-of-living differential for various areas of the State. It was felt that municipalities and boroughs which have health facilities and services in remote areas must spend more funds because of the higher costs of transportation and operation. The percentage differential throughout the State according to the only guidelines for cost of living differential available, the Department of Administration salary survey, recommends up to 139 3% for certain areas of the State.

It was felt in the committee that there were two methods of implementing a cost of living differential.

- (1) By adding to the total cost of House Bill 42, the percentages recommended in the Department of Administration's annual salary survey for various areas of the State. This would, in effect, add to the cost of the original bill.
- (2) Using only the total cost of House Bill 42, divide that amount among the recipients according to the cost of living differential percentages of the different areas mentioned above. This would require no additional funds other than those requested in the original House Bill 42.

The committee feels that the cost of living differential should be investigated, especially in hospital and health facilities revenue sharing in the remote areas of the State where equipment, transportation and operations are considerably higher than in metropolitan areas or than in other revenue sharing programs.

We therefore ask that the House H.W.E. Committee and the Finance

Committee seriously consider a cost of living differential to be added to House Bill 42.

COMMITTEE REPORT

HVE
Finance

HOUSE

Mr. Speaker:

Date January 30, 1972

The Committee on Finance has had HE

under consideration. A Majority of the members of the Committee

() recommends it DO PASS

() recommends it DO NOT PASS

() recommends it DO PASS WITH ATTACHED AMENDMENT(S)

() recommends it BE REPLACED WITH CS FOR HE AND THAT

CS FOR HE DO PASS

() "and" recommends it BE REFERRED TO THE _____

COMMITTEE

() reports it back WITHOUT RECOMMENDATION

() "other"

Members signing the Majority report:

<u>[Signature]</u>	_____	_____
<u>[Signature]</u>	_____	_____
<u>[Signature]</u>	_____	_____
<u>[Signature]</u>	_____	_____

Members NOT concurring in the Majority report:

<u>[Signature]</u>	recommends:	<u>[Signature]</u>
<u>[Signature]</u>	recommends:	<u>[Signature]</u>
_____	recommends:	
_____	recommends:	
_____	recommends:	

_____ Chairman

STATE OF ALASKA

WILLIAM A. EGAN, GOVERNOR

DEPT. OF COMMUNITY & REGIONAL AFFAIRS

OFFICE OF THE COMMISSIONER

POUCH B--JUNEAU 99801

March 20, 1974

The Honorable Selwyn Carrol
Chairman, House Community and
Regional Affairs Committee
Alaska State Legislature
Pouch V
Juneau, Alaska 99801

Dear Representative Carrol:

Commissioner Mallott has asked me to outline for you the several questions the Department has been asked to deal with concerning Section 2, Chapter 87, SLA 1973, codified in AS 43.18.050.

In early August 1973, Mr. Rod Carman of the Greater Anchorage Area Borough Legal Department contacted us concerning our interpretation of this amendment to the State Revenue Sharing Act. Mr. Carman asked whether the addition of Section 050 to Title 43, Chapter 18, removed the latitude the Borough previously had under AS 43.18.010(h) and superseded the discretion the local government recipient appeared to have under AS 43.18.010(h)(4) with respect to the allocation of health facility funds granted under the State Revenue Sharing Program. We advised Mr. Carman we understood the "Specific Expenditures" amendment to remove the latitude the Borough previously had in that the provision specifically required funds received by virtue of this inclusion of a particular facility on the application to be expended for the operation and maintenance of that specific facility. We further interpreted this provision to mean funds must be expended for those approved facilities in amounts equal to the municipality's entitlement for each facility. We interpret the language of the new section (050) to remove the flexibility previously provided by Subsection (h) and view it as setting forth very definite guidelines for the expenditure of health facility funds.

Mr. Carman acknowledged the receipt of our explanation and no further communications were received from the Anchorage Borough until several weeks ago when the Anchorage Borough Health Officer, Dr. Colyar, contacted Commissioner of Health and Social Services

March 20, 1974

McGinnis inquiring as to the Borough's responsibilities under Section 050. Dr. Colyar's recent inquiry was no doubt sparked by our letter transmitting the Borough's FY 1974 State Revenue Sharing entitlement. In that letter, we again reminded the Borough that funds granted for hospitals and health facilities must be used for the expenses of the specific hospital or health facility for which the funds were received and that proof funds were expended in compliance with Section 050 would be required.

The Anchorage Borough's principal concern appears to be the requirement that they transfer funds to Providence and Anchorage Community Hospitals. The entitlements for each institution under AS 43.18.010(h)(1) are \$137,890 and \$76,299, respectively. I suspect Dr. Colyar is particularly concerned with the fact the Borough is denied the option, heretofore exercised in the absence of Section 050, of using entitlements payable in behalf of services provided at Providence and Community Hospitals in support of the Borough's own health programs. I suspect, too, that, if funds are transferred to Providence and Community, as we believe the Statute fairly requires, the Borough will find its own health program operating at a deficit in this fiscal year.

Members of the management staff of Providence Hospital and very likely other hospitals throughout the State are aware of the interpretation we have made with respect to Section 050. We have been notified, albeit informally, that the Anchorage Borough intends to refuse requests from Providence and Community for the transfer of these funds. Attorneys for Providence Hospital have asked the Anchorage Borough Health Department for copies of the applications upon which health facility funds were granted to the Borough in FY 1974. At this point, counsel for Providence Hospital appears only to be in the process of advising his client.

The review of this matter conducted for us by the Attorney General's Office suggests our interpretation that the "Specific Expenditures" amendment precludes local government units from exercising discretion as to the allocation or use of funds received for facilities which the local government unit does not operate is correct.

Very truly yours,



Don Argetsinger
Deputy Commissioner

DA/ah

Proposed changes for HB 42

Section 1. AS 43.18.010(h) and (i) are repealed and re-enacted to read:

(h) During each fiscal year the state shall make payments as follows:

(4) funds received by a local government under (1), (2), or (3) of this subsection shall be used for expenses of operation, maintenance, or health services or facilities, of the hospital or health facilities for which funds are received as the local government or hospital outside an organized municipality determines:

(5) before funds may be distributed under this subsection, the commissioner of health and social services shall certify to the distributing agency

(A) that any accumulation of assets by nonprofit corporations or other recipients under this subsection are dedicated irrevocably to a public purpose.

(i) In (h) and (j) of this section

(1) "hospital facility" means a licensed hospital determined by the Department of Health and Social Services to be a general hospital; the term excludes facilities operated or wholly supported by the state or the federal government;

(2) "health facility" means community health centers, maternity homes and community mental health centers, facilities for the mentally retarded or physically handicapped, nursing homes and convalescent centers which are licensed, when required, by the state under AS 18.20.010-18.20.130 and are owned or operated or both by a local government or by a nonprofit corporation or other nonprofit sponsor; the term excludes facilities operated or wholly supported by the state or the federal government.

Purpose of Changes

Section L (h) (4) Suggested change is so that a community cannot use the funds for new or other services but must use the funds for the services or hospital which asked for the money. Recommended by Mr. Robert Ogden.

Section 1 (h) (5) (A) Change as recommended by all testifying before the committee due to the problem of accounting.

Section 1 (h) (5) (B) Changed to (A) because of removal of (A) in original bill.

Section 1 (h) (5) (A) - (2) Changing public on line 18, to community in order not to confuse service with Public Health Service which is prohibited in lines 24 and 25 of same subsection.

Section 1 (h) (5) (A) (2) Adding retarded to narrow down facilities rather than any mentally disturbed person served by an organization.

File #1042

REVENUE SHARING BASED ON HOSPITAL BEDS

HOSPITAL	NO. OF BEDS	PRESENT COST	HOUSE BILL NO. 26 COST
Anchorage Community Hospital - Anchorage	85	\$85,000	\$85,000
Providence Hospital - Anchorage	150	150,000	150,000
Cordova Community Hospital - Cordova	24	24,000	50,000
Fairbanks Memorial Hospital - Fairbanks	116	116,000	116,000
Faith Hospital - Glennallen	3	0	50,000
Homer Hospital - Homer	9	9,000	50,000
Bartlett Memorial Hospital - Juneau	67	67,000	67,000
Ketchikan General Hospital - Ketchikan	95	95,000	95,000
Kodiak Island Hospital - Kodiak	25	25,000	50,000
Maynard McDougall Hospital - Nome	24	24,000	50,000
Valley Hospital - Palmer	27	27,000	50,000
Petersburg General Hospital - Petersburg	25	25,000	50,000
Seward General Hospital - Seward	33	33,000	50,000
Sitka Community Hospital - Sitka	24	24,000	50,000
Central Peninsula General Hospital - Soluotna	30	30,000	50,000
Wrangell General Hospital - Wrangell	13	<u>13,000</u>	<u>50,000</u>
LMS:vm	TOTALS	\$747,000	\$1,063,000

1/12/73

747,000

 511,000

TO: Guy Van Doren
Staff Assistant
House Local Government Committee
State Capitol Building

DATE: January 26, 1973

FROM: *JS*
Lowell W. Swartz, Coordinator
Facilities Development

SUBJECT: Follow-Through on House Bill 42
Better Description of Type of
Facilities for Revenue Sharing

In my opinion the below listed facilities should be included for Revenue Sharing:

1. General Hospitals - Need no definition.
2. Nursing Homes - Needs no definition.
There are two types: Skilled Nursing Homes and Intermediate Care Homes.
3. Local Health Units - defined as a single borough, city, village or local district health unit where the primary function of the unit is the direct provision of health services to the population under its jurisdiction.

(Note: This would include public health centers and village clinics and non-profit clinics performing similar services).
4. Facilities for the Mentally Retarded or Physically Handicapped - Needs no definition.
5. Community Mental Health Centers - defined as a single borough, city, village, or local district health unit where the primary function of the unit is the direct provision of comprehensive mental health services to the population under its jurisdiction.
6. Maternity Homes - Needs no definition.
7. Alcoholic Treatment Centers - defined as a center where the patients are receiving medical treatment, nursing care and rehabilitation services under the direct supervision of physicians, registered nurses and rehabilitation specialists.

This would eliminate all social services facilities and sleep-off centers for Alaskan's where little or no treatment is being provided.

LWS:vm

Attachment

HB 42

● Present Cost of Revenue Sharing
Excluding Revenue Sharing for Hospitals Under
Construction - \$ 1,165,000

Cost projection under original HB 42

\$ 1,637,000

Difference between present costs and HB 42

\$ 472,000

● Cost Projection for HB 42 with Cost of Living
differential

\$ 1,732,700

Difference Between original HB 42 and HB 42
with Cost of Living differential \$ 95,700

Difference between present cost and HB 42
with Cost of Living differential

\$ 567,700

REVENUE SHARING FOR HOSPITALS: (\$1,000 Per Bed or \$50,000 Per Facility for any Hospital With less than 50 Beds).

<u>Name of Facility</u>	<u>Number of Beds</u>	<u>Present Cost</u>	<u>HB-42 Cost</u>
Fairbanks Memorial Hospital	116	\$116,000 107.5	\$116,000 124,700
Barlett Memorial Hospital	67	67,000 107.5	67,000 72,000
Homer Hospital	10	10,000 111.5	50,000 55,900
Central Peninsula General Hospital - Soldotna	30	30,000 111.5	50,000 55,800
Wayne McDougall Hospital - Nome	24	24,000 124.7	50,000 62,400
Seward General Hospital	33	33,000 103.8	50,000 51,700
Kodiak Island Hospital	25	25,000 111.5	50,000 55,800
Valley Hospital - Palmer	27	27,000 100.0	50,000 —
Sitka Community Hospital	24	24,000 107.5	50,000 54,800
Cordova Community Hospital	22	22,000 115.8	50,000 57,900
Ketchikan General Hospital	95	95,000 100.0	95,000 —
Providence Hospital - Anchorage	150	150,000 100.0	150,000 —
Anchorage Community Hospital	85	85,000 100.0	85,000 —
Wrangell General Hospital	13	13,000 103.8	50,000 51,700
Petersburg General Hospital	25	25,000 103.8	50,000 51,900
TOTALS		\$747,000	\$1,063,000 1,074,000

REVENUE SHARING FOR HEALTH CENTERS AND CLINICS: (\$8,000 Per Facility).

<u>Name of Facility</u>	<u>Number of Facilities</u>	<u>Present Cost</u>	<u>HB-42 Cost</u>
Ketchikan Mental Health Center	1	\$ 4,000 —	\$ 8,000
Fairbanks Health Center	1	4,000 107.5	8,000 8,600
Sitka Health Center	1	4,000 107.5	8,000 8,600
Kodiak Health Center (Mental)	1	4,000 115.8	8,000 9,300
Cordova Public Health Center	1	4,000 —	8,000
Gateway Community Mental Health Center Ketchikan	1	4,000 —	8,000
Russian Mission Clinic	1	4,000 139.3	8,000 11,100
Sand Point Clinic	1	4,000 120.0	8,000 9,600
Seldovia Hospital	1	4,000 111.5	8,000 8,700
Dani Memorial Health Center - Skagway	1	4,000 107.5	8,000 8,600
City Public Health Center - St. Mary's	1	4,000 139.3	8,000 11,100
Norton Sound Clinic - St. Michael's	1	4,000 124.7	8,000 10,000
Teller Clinic	1	4,000 124.7	8,000 10,000
Illiulik Family and Health Services Clinic Unalaska	1	4,000 120.0	8,000 9,600
Knitvier First Aid Center	1	4,000 115.8	8,000 9,300
Gateway Community Mental Health Center Wrangell - Monthly	1	4,000 103.8	8,000 8,300
Goodnews Bay Clinic	1	4,000 139.3	8,000 11,100
Holy Cross Clinic	1	4,000 124.7	8,000 10,400
Delta Junction Surgical Medical Clinic	1	4,000 107.5	8,000 8,600
Eek Health Clinic	1	4,000 139.3	8,000 11,100
Fortuna Ledge Health Clinic	1	4,000 139.3	8,000 11,100
Rondalton Community Health Center	1	4,000 124.7	8,000 10,400
Health Clinic - Pilot Station	1	4,000 124.7	8,000 11,100
Health Clinic - Point Hope	1	4,000 124.7	8,000 10,700
Public Health Center - Hydaburg	1	4,000 —	8,000

511,900

REVENUE SHARING FOR HEALTH CENTERS AND CLINICS CONTINUED:

<u>Name of Facility</u>	<u>Number of Facilities</u>	<u>Present Cost</u>	<u>HB-42 Cost</u>
Kotlik Health Clinic	1	\$ 4,000 139.3	\$ 8,000 11,100
Nenokotak Clinic	1	4,000 126.4	8,000 10,400
Mountain Village Health Clinic	1	4,000 139.3	8,000 11,100
King Cove Health Clinic	1	4,000 126.0	8,000 9,600
Tuluksak Health Center	1	4,000 139.3	8,000 11,100
ARCA Pre-School - Anchorage	1	4,000 -	2,000
Alaska Treatment Center - Anchorage	1	4,000 -	2,000
Brevig Mission	1	4,000 124.7	8,000 10,000
Kotzebue Hope Center	1	4,000 134.2	8,000 10,700
TOTALS		<u>\$135,000</u>	<u>\$272,000</u> 329,500

REVENUE SHARING FOR OUTPATIENT HEALTH FACILITIES: (\$8,000 Per Facility).

57,500

<u>Name of Facility</u>	<u>Number of Facilities</u>	<u>Present Cost</u>	<u>HB-42 Cost</u>
Ketchikan Health Center	1	\$ 4,000 -	\$ 8,000 -
Open Door Clinic - Anchorage	1	4,000 -	8,000 -
Akolmist City Clinic	1	4,000 139.3	8,000 11,100
Akiak Health Center	1	4,000 139.3	8,000 11,100
Koyuk Health Clinic	1	4,000 124.7	8,000 10,100
TOTALS		<u>\$ 20,000</u>	<u>\$ 40,000</u> 48,300

REVENUE SHARING FOR MISCELLANEOUS FACILITIES: (\$1,000 Per Bed for Each Facility).

300

<u>Name of Facility</u>	<u>Number of Beds</u>	<u>Present Cost</u>	<u>HB-42 Cost</u>
Wesleyan Nursing Home	24	\$ 24,000	\$ 24,000
Hope Cottage, Inc. - Anchorage	92	92,000 -	92,000
Booth Memorial Maternity Home - Anchorage	15	15,000 -	15,000
Hope Center - Anchorage	35	35,000 -	35,000
Bethel Prematernal Home	14	14,000 137.5	14,000 19,500
City of Fairbanks Supportive Living Facility	25	25,000 107.5	25,000 26,900
Juneau Alcoholism Rehabilitation Center	16	16,000 107.5	16,000 17,200
Betel Sleep-Off Center	20	20,000 139.3	20,000 27,900
Nome Alcoholic Rehabilitation Facility	6	6,000 124.7	6,000 7,500
Anchorage Graduate House	15	15,000 -	15,000
TOTALS		<u>\$262,000</u>	<u>\$262,000</u> 280,000

REVENUE SHARING FOR HOSPITALS UNDER CONSTRUCTION: (\$2,500 Per Bed for Each Facility).

<u>Name of Facility</u>	<u>Number of Beds</u>	<u>Present Cost</u>	<u>HB-42 Cost</u>
Fairbanks Memorial Hospital	116	\$290,000.00	\$290,000.00
Sarlet Memorial Hospital	67	86,993.97	86,993.97
Central Peninsula General Hospital - Soldotna	30	75,000.00	75,000.00
Anchorage Community Hospital	85	78,708.00	78,708.00
Evidence Hospital - Anchorage	127	317,500.00	317,500.00
TOTALS		<u>\$848,201.97</u>	<u>\$848,201.97</u>

LMS:vm
1/23/73

95,700

Present 1,165,000

- (h) During each fiscal year the state shall pay to an organized borough or a city outside an organized borough, in which a health facility is operated, a sum equal to \$1,000 for each bed actually used for patient care within the facility, limited to the maximum number of beds provided for in the construction design of the facility, or \$4,000 for a facility, if the local government elects to accept payment on that basis for a particular facility. Funds received by a local government under this subsection shall be used for expenses of operation, maintenance or health services or facilities, as the local government determines.
- (i) In (h) and (j) of this section "health facility" or "facility" includes hospitals, public health centers, maternity homes and community mental health centers, facilities for the mentally retarded or physically handicapped, nursing homes and convalescent centers which are licensed, when required, by the state under AS 18.20.010 -- 18.20.130 and are owned or operated or both by a local government or by a nonprofit corporation or other nonprofit sponsor; the term excludes facilities operated or wholly supported by the state or the federal government and excludes nonprofit facilities leased from private profit-making groups or corporations.
- (j) If construction of a facility began after January 1, 1968 and state matching aid for construction approved for payment to the local government or other facility sponsor constitutes less than 25 per cent of the total project cost, the state shall pay to the local government or other facility sponsor each fiscal year a sum equal to \$2,500 a bed for the maximum number of beds provided for in the construction design of the facility. State aid provided for in this subsection shall continue until the local government or other facility sponsor has received an amount which, combined with state matching money for construction of the facility, equals 25 per cent of the total project cost. No funds received for construction shall be used for any other purpose.

LWS:vm

1/9/73

8:30 House Local Government Committee

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AMENDMENT

Offered in the House

by Attorney General

TO: HOUSE BILL NO. 59

AMENDMENT PAGE 1 LINE 14:

DELETE "employed" and insert "actually used or designed as intended for use" in its place.

PAGE 1 LINES 26-28

DELETE lines 26-28 and substitute: "chapter does not apply to property upon which an ad valorem tax was levied by a city or a borough for the tax year beginning January 1, 1973, and upon which the tax continues to be levied for each succeeding tax year."

PAGE 4 LINE 16

DELETE "production and"

MONTH March, 1973

DATE	ACTIONS	BILLING INFORMATION
March 13, 1973	Transcription of Hearing Tape John Havelock, Speaker ,	\$52.50

I'm John Havelock, State Attorney General. With me today are Fred who is the Director of Audit in Parks and Revenue, Larry , who is deputy commissioner of the treasury and Assistant Attorney General Rick Garnet. I have from the chairman a letter relating to HB 59 of which you require whether ... considering the revenue contemplated on the bill right of way leasing act adopted last year. Whether these measures have not already assured sufficient funds, new funds raised to meet a conservative budget such as the legislature would be included to adopt. These issues relate primarily to economic questions which is why I had these meetings with the Department of Revenue people here today and I will just make a few comments from a policy point of view ^{rather} referring the issues to these able gentlemen who have information, copies of which have been distributed to you here which I think will be of to you at today's hearing. By way of summary, let me say that we appreciate the opportunity to respond to this questions because of the widespread illusion throughout the state that the legislature, by virtue of its acts last year, have already adopted measures which constitute and ignore the revenue increase constituting a tremendous burden, particularly on the oil industry, and this is an illusion. It is not true that last year your incremental revenues measures were adopted. The property tax which was introduced last year as one of the several measures tend to be considered together which cause of of time of problems also not adopted. As far as the revenue aspects go, this is one of the more critical revenue measures which was introduced at that time and I think that it would appear still a very conservative measure at that by considering the overall situation. In reviewing very briefly the measures which were adopted last year, first of all the cents per barrel tax is essentially a revenue guarantee measure in that it is a floor tax and it was not considered to be primarily a measure for raising more revenue to meet the contemplated revenue gain of the state. We do not know at this time whether in fact that cents per

barrel tax will even go into effect because we don't know what the market conditions will be at the time the oil flows. The second measure, another measure, is the regulatory act which, of course, is not a revenue measure at all. The right of way bill which has been a center of controversy, perhaps more so than the floor tax with the industry, a good deal of uncertainty about the revenue impact of that measure this last year because of the changes in the measure up to the last minute, the revenue there, because of the various variables that came into it, we were unable to last year give tentative answers as to the revenue act after that bill. We have now at some expense and after very careful perusal of the way the bill operates and the way the measure would operate we have eliminated those uncertainties. There are still variables which are involved which change the impact and the income and revenue results of the tax. We are in a position to identify the variables for you, to give you both the range of revenue estimates that can be expected and use the most probable case, and we can do so, I believe, definitively. As to the property tax of HB 59 before you, I think it is worth emphasizing that the issue the community is considering on this bill is not whether property taxes applicable to the pipeline should exist, that the status quo is maintained, the property taxes will prevail on the pipeline and that they will be levied by municipal government. What is really of more concern is how much revenue, what the millage rate should be, and the form of distribution from the tax and the proposal for a state administered tax which was put before you previously and is put forth before you again this year with the hope that the legislature can make rational decisions as to what the revenue capability of that tax should be and the manner which the benefits from that tax should be distributed. Now it has been said that the property tax singles out a single industry which is unfair, and I would like to make a few comments on that, but before I do I would like to point out that local governments are just as capable of levying taxes, principle incidents of which involve upon the pipeline,

as the status. I think in the long run it is better before the industry that a tax of this nature be administered at a state level. in the long run better equity to have a tax on a property of this magnitude subject to state control with termination by the entire legislature.

*Can I interrupt just....is it your feeling that once a tax is levied by the state that is a preemption over the local government?

That depends upon the form of the measure adopted. This particular bill essentially constitutes a preemption with a redistribution.

*It is your opinion now, informally I understand, that this would in fact do that.

Yes, that is the case.

*Thank you.

To get into our comment on the effect of local government taxes which is that if you do nothing, what happens is that the result of the deductability of property taxes, you are essentially providing for a distribution system whereby those areas of general government is subsidizing particular municipal government which have the opportunity to apply the tax as a result of the deductability of property tax state income tax. So, again, the status quo hardly guarantees any more of a magnitude of the enterprise, the size of the assets involved in relationship to all the other assets of the state put together makes it highly relevant and pertinent and appropriate for the legislature to consider how this entity is to be taxed and how major pipelines are to be taxed. Large pipelines may not have the last of them. How this classification of property has increased. To answer the question of the singling out, we have barely singled out a particular instance. I suppose it is true that any tax adopted by the legislature has a distribution burden which effects some people more than others and I don't think that tax alone really has anything to do with fairness or unfairness. I would like to note,

for instance, in terms of whether the rest of the economy is "bearing its fair share". The gross receipt tax is the major tax burden to a large number of industries. So, I think that to just look at the property tax alone and say that the incidents of property tax are more on one than on another is simply to state a truism of taxation generally and I don't think it relates fairness. Other examples of distribution , in our state, we have a very high level of personal income tax relative to the rest of the country and I think it is a demonstration of the willingness of the people of Alaska to meet their fair share of the burden of the cost of running a government. A third factor is responsible budgeting. Responsible Budgeting, particularly under exercising real belt tightening activity also has its contribution frequently for those who are least able to bear it to the cost of running government in terms of decreased services and loss of necessary sustenance. It is also rational for the policy to adopt taxes which have different incidents and burdens on different aspects of the economy. It is not in the state's interest to levy the same level of taxation of new growth that is in a state where one of the critical issues for the next two decades is the extent to which we can broaden the base of the economy. It is not rational for the policy to impose substantial burdens on that form of new industry when there are forms of industry available which are quite capable of paying a larger share of the burden of maintaining essential governmental services. The underlying principle in the fairness, after all, since the income tax amendment to the constitution in 1916 is that the taxation or the level of taxes should be associated with ability to pay and I think it is apparent now, as it has been for a decade or more, that ability to pay is very much within the range of resource, commercial activity, business associated with the petroleum industry in this state and I think it is misleading to think of the tax project of the oil industry as just another small grocery or gas station entirely and enormous aspects of the economy through the legislature should look at it as an entity without having it necessarily associated with a small share on the Yukon

River or a trading center or something in terms of the ability to meet the burden of government. It was in assisting in the pushing of this pipeline project to the earliest completion possible within the last year that I have had cause to re-read legislative history of the Alaska Statehood Act with the premise of Alaska statehood that with a small population such as this state had, with very little independent income base capable of supporting government, with enormous unmet needs, that it would be the oil industry that would pay for a very large share of the growth of the state. The state was not a feasible political entity without a larger share, a very large share, of the burden supporting that state coming from the petroleum industry and that is to say the legislative history that I have just stated would prove that. With that induction, Mr. Chairman, I would like now to refer to some of the particulars like calling on the property tax impact by calling on Mr. Fred _____ of the Department of Revenue to give you some figures and explain perhaps some of the exhibits before you.

which
Mr. Chairman, House Bill 59 proposes a property tax on oil and gas transportation facilities is apparently straight forward in terms of projecting revenue estimates. The bill provides that a tax of 20 mills shall be leveled on the pipeline as of any given January 1. It also provides for a sharing back to the local jurisdiction through which the pipeline passes based upon 20% of the value of the line in such jurisdiction. Before you on the first page of the exhibit handed out, we show our projections for fiscal year 1974 thru 1983 with the first line indicating the total tax collected by the state less the amount to be shared through local governments and the net revenues to state treasury. Beneath that is a table showing a breakdown of the local government's share of the tax among the three local governments through which the pipeline should pass. The basis for the projections is a total cost of the pipeline's total ultimate value of 3.5 billion dollars with the construction occurring primarily in 1973, '74, '75 and into the middle of 1976.

*are you open for questions? Any questions?

Mr. Fink: It just seems to me that the figure you had on that last year was 80 million. How did you arrive at the maximum of 70 million this time?

Last year's projection did not project to 80 million, they projected up to 59 million which would be the value in 1977. The 70 million dollar ultimate is based on the 3 1/2 billion dollar completion costs at the 20 mill rate.

(Mr. Fink) Your bill originally last year was on the pipeline only. I know I am digging out finance projections and we threw the tank farms and the gathering lines in which apparently you have done in this year's bill except you have excluded this twenty-one inch which seems

You say that the pipeline and the tank farm and the gathering lines, all that, will cost a maximum of 3.5 million dollars?

Yes, sir.

If there are no other questions I would like to call on Deputy Commissioner to discuss the relationship of that to the revenue and manager projections of the state.

Mr. Chairman, and guests, I would like to call your attention to a five or six page booklet that we prepared this morning which is, in fact, copies of a computer projections showing in effect the property tax and several other variables on the general fund at the end of each year. By this afternoon we should have this information available in short form which is somewhat easier to digest. But, until then, I went through and specifically as possible as to what these projections indicate. I will be available for questions, of course, at any time in my testimony. We turn to projection one which is run number 15. It is based on the assumption that construction of the pipeline will begin in fiscal year 1974, inflation of the line and production will begin in fiscal year 1977. With the revenues included the revenues from the right-of-way leasing act assuming a 4% ICC rate of return. A separate page in the handout that I believe you all have shows exactly what that 4% ICC return means in dollars to the state. For the first through the fifth year

of operation the 4% return indicates

to the

state about 2 million dollars. It is not until very late in the operation of the pipeline, in the tenth and twentieth year, that you see high revenues. In the average of 35 years it is 15.4 million. This 4% ICC return we believe will be the most likely and the most reasonable. It is, in addition, the case that the oil companies did mention directly to the Governor that they were intending to run the following testimony this March regarding ownership of the pipeline. So, we really feel confident that there will be a 4% dividend and rate of return as measured by the ICC.

*I think you all read something in the paper today about the oil companies saying it would cost them 150 million. Do you know what the difference between their computation and yours is?

I cannot understand that completely. A 150 million or even a higher figure quoted in the paper is just not reasonable. I don't understand the cause of it. It can only be based on ICC returns so large as to be incredible.

*Now you've got 7% here. Is that the maximum they can charge under ICC or can they charge 8%?

There was a ruling many years ago that 8% ICC return was allowable. How much they can charge under ICC really is a question of the degree that ICC will expect this pipeline of their jurisdiction and whether they find anything unique in the Alaskan pipeline.

*Even at your 7% you show only 25 million the first year and an average of 40 million.

That's right.

*Do you think that they could be talking about a lot higher unit?

No, I do not. Again, the cost, the economic analysis, and many of the factors seem to be the same yet the numbers are apparently different. I do not understand it.

These returns are based on our latest look at the economics, our latest look at the regulations the state has adopted and our most likely projection for what, in fact, will occur in terms of revenue.

*Alright, the other thing is that all of your print-outs are based on a 4% on the right-of-way. Apparently they use a higher figure. Then again, why do you think they will use 4% rather than 7% or something else?

Well, first of all they told us. Secondly, and most important, it is in their best interest to use a 4% ICC return. Let me try to explain it very simply. The higher the return on the line, the lower the bulkhead value of the oil in the ground and what is the incentive of the oil companies that have a high bulkhead value in the ground? It is a depletion allowance. The tax advantage, which is a percentage of the bulkhead value of the oil produced. So, clearly as we examine it, running the pipeline at a high tariff causes the overall rate of return of the pipeline and the owner to decline, not increase. Again, because of the dominant tax advantages of the depletion allowance.

*In effect, there would be different parties involved like in the pipeline shipping their oil. Do you think it is the same that....

At this time the unit agreement has not been completed on the North Slope so we are not certain at this date what oil company will own what percentage of the pool. Neither has the oil companies agreed to my knowledge about which oil company will own what percentage of the two million barrel a day pipeline. So, in fact, there is an opportunity of changing the amount of oil ownership as well as the opportunity of changing the amount of pipeline ownership.

*Is that all Mr. Fink? Miller.

*I have a question. I see that these revenue projections are based upon the pipeline construction beginning in fiscal year 1974. May I assume that your assumptions are January 1, 1974, as this would make a big difference whether this was January 1 or

December 1. Exactly what month did you pick? This could make a tremendous difference in the entire projections.

I believe I understand the question. There are a total of five projections here, three which are based on pipeline construction beginning fiscal year 1974 and the final ones are based on a statistical look, if you will, on pipeline construction beginning in fiscal year 1975. The question as I understand it was a six month postponement followed construction beginning this summer. Is that correct?

*Would it make a difference on your entire twenty year projections depending upon what month you were picking up here. It would be the same thing on oil flow. It starts flowing in 1977, say a six month delay in the construction of the pipeline. I mean to be completed from their estimate of three years.

I agree. These projections, again, show construction beginning in the summer and then construction on a one year delay. The question as I understand it is what is the effect of construction being delayed six months together with a three year construction period. The pending of this administration and any delay at the beginning of the construction will be offset by a compression of the construction period. We have shown you here perhaps the best case and a worse case. delay and a year delay. We are working at this time to look at various six month delays as communicated earlier since everything is, in fact, offset split between fiscal years, Backup from this project will and it will be some time before we statistical look, if you will, of the effect of the six month delay.

*(Mr. McVay) Just a few questions....as I understood you correctly, you feel probably the best guess is that the pipeline will be allowed a 4% ICC return. Is that.....

We are assuming, and we have substantially believed that the pipeline will be run at a 4% return .

*Just generally speaking, isn't it true that the ICC regulation of the rates look to the total amount paid at setting the percentage figure. In other words, anyone

is entitled to make a return on a dollar and the return is somehow related to the cost of the project. In other words, 4% would not be very much of a return on a small utility or a small line, but 4% could be an awful lot of money on a huge line. Is that the kind of factor; do you see my point?

Yes, Mr. Chairman, I do. This 4% return is on the total ICC evaluation. That pipeline may be financed 80% by debt, 85% or 90%. So, for a hypothetical situation, if it was financed 90% by debt then the 4% return would provide a return to equity of in excess of 35% as well as, of course, pay off all the debts.

*That would have a tendency to drive that percentage figure down, right?

That would not be taken into account by the ICC.

*I see.

So, they would at a 4% return provide for return to equity of substantially in excess of 35%. The ICC looks at the total value of the line and the total return of the total value.

Mr. Chairman, the 4% that we calculate is based upon the economics of the industry and what they would do, or the industry would do, from the point of view of maximizing their own profits. It is not a prediction as to what if the ICC regulates the line, the ICC maximum allowable would be. There is no way to tell that at this point. But what we're looking at is that the existing pattern of ownership distribution of the pipeline and of the oil, that it is the maximum economic return to the integrated company it would be achieved at approximately the 4% rate.

*Some companies would be better off than others?

There is a difference in that this is a stand alone pipe-line. Supposing you had a pipeline owner that had no oil then it would be his interest to charge the highest possible tariff available. We are dealing with integrated companies. We are dealing with companies ~~WAX~~ that negotiate with each other. We are dealing with a situation

where there is not a gross prosperity between the ownership of the oil and the ownership of the pipeline. That is, considering them all together it is very close, although there are differences among the owners in tax. They are quite free to negotiate and we believe it is in their commercial interests to negotiate to produce a more even distribution of pipeline ownership that is going to be close to....

*And that will tend to drive it down. (Chairman)

It will tend to, therefore, drive the tariff down because the overall effect is a maximization of profits and freedom to federal income tax. Should I continue, Mr. Chairman, to.....

*Yes, go ahead, if there are no more questions at this time.

Well, the chart number one, the computer print-out, shows that if operating expenses were to increase about 7% each year that even with the construction of the pipeline beginning this summer, there would be a negative balance in the general fund at the end of the 1980's. The revenue estimates which are contained in this projection include not only the right-of-way leasing revenues but as well the proposed taxes that the legislature is now considering at this time and these are summarized and displayed regarding the revenue effect of these taxes on an additional page supplied to you. We call the aggregate of the four taxes the tax package.

The comments regarding this projection on the tax package is included. Projection number two on the following page includes the estimated net revenue to the treasury property tax. The only difference between this projection and the first one is that here we show the positive general fund balance as well we are in a position to increase operating expenditures at an 8% level each year instead of a 7% level showing zero. Here we show an average balance in the general fund stabilizing between 2 and 4 hundred billion throughout the period. Again, this chart is based on the assumption that construction begins in summer. The next chart from 33B identical to the one I just talked about, the second one, except that you know increase operating expenditures 10% a year. Recalled to this committee several

years ago we were talking about expansion growths in the neighborhood of 10% to 15% a year and here we see it even at the 10% level, the general fund goes down below zero in fiscal year '82. Again, assuming construction begins in summer. The final two graphs of computer displays are a statistical lock at a one year delay. Here with all the revenues included, ^{but} calculated statistically, the effect is shifting out; the property tax revenues, the cents per barrel, the right-of-way leasing revenue. We show that even at a 5% rate of increase in operating expenditures for a one year period in fiscal year '78, the general fund dips below zero but then substantially increases. So, we have, in fact, a U-shaped curve. The last chart increases operating expenditures by 5% to 7% and keeps everything else the same. Here we see a negative general fund in fiscal year '78 but it begins to stabilize at that level, so even though there are a number of minus signs, you see a stable pace, an equilibrium solution, but below zero when we have a property tax with a one year delay of the pipeline.

(Mr. Fink) there is one thing that I don't understand. That is that the current use expenditures and general cash balances. I don't.... what is that?

The numbers displayed for the general fund at the end of the year are the unencumbered balances in the general fund. By unencumbered I mean after all the bills issued against the general fund have been paid, the net balance. Any particular expenditure level, be it either not written bills or not bills vendored, we have, or, excuse me, they have not billed us, and if they have we have not yet paid them, which all means that there is cash available maybe at all times somewhat greater.

(Mr. Fink) So, you are assuming that 20% of the prior year's money hasn't been spent so the figure really in each case is 20% of the general fund expenditure of the previous year higher than what you should? A cash balance.

Back to what we are doing, Mr. Chairman, is trying to estimate our investment revenue based upon the fact that the cash balance will always be somewhat higher. I would like to point out to this committee, however, that the budget projections the unencumbered balance has great significance. It is not at this time legal to have negative balances in the general fund.

(Mrs. Miller) In other words, we are going to be broke must faster unless we pass this property tax. Is that what it amounts to?

Yes.

(Mrs. Miller) Another question. What effect does this have on oil in-kind that the state is forced to accept? Aren't we, in fact, taxing our own oil? And how is this going to effect the entire situation? Aren't you taking out of one pocket and putting in another, and if so, how much?

That is a very good question although somewhat technical. Let's assume a set of events sometime in the 1980's when the cents per barrel tax is no longer in effect. This is certainly going to be the case. Prior to that time, of course, we will not be taking out of one pocket and putting into another in no terms since the cents per barrel tax will provide us with a revenue tax income. When, in fact, the state the value tax, if it does, then dollar for dollar property tax income to both the state and the local governments would be paid for by a reduction in the state's royalty and severance share of about 20¢ as opposed to 19¢ of every dollar of income we will receive on the property tax. So you might say then that late in the 1980's the net millage rate would not be 20 mills but perhaps 18 mills.

(Mrs. Miller) What bearing would this have on other pipelines. I note Mr. Havelock made reference to other large pipelines which may be built in the state. _____ Ziegler referred to such possibilities as construction of a natural gasline. Now

what happens since they go under the interstate. What happens ^{about} gas and the fine there. As well as taxation on that you have to have an entirely different set of circumstances. If we are going to apply this to all of our pipelines aren't you going to have an entirely different situation there?

The answer to your question is that if we would wish to look ahead and see the construction of a gas pipeline either somewhat parallel to past line or....then we are talking about an event that may be completed no earlier than 1980 so in terms of revenue effect, it would not be immediate here, even in long-term ten-year projections which I have shown you except for, perhaps, the last few years.

In addition, as a revenue generator, there would of course be additional revenue regarding other pipelines. I would like to point out that the construction of a gas line is in the forecast at this time, the hardware, the machinery needed to construct a gas line in Alaska could only be available at the completion of the oil pipeline. We still believe that the oil pipeline will be completed by the summer of 1976. Construction of the gasline could considerably begin at that time although we have not yet estimated the period construction of the gasline, including our years of looking at the period of construction of the oil pipeline. It causes us to be rather cautious. It might well be, Mr. Chairman, that the legislature at some point might wish to consider adjusting the mill levy in order to reflect the other sources of revenue which might be available in time. That certainly is an option available to the legislature.

(Mr. Huber) Mr. Havelock, is it just a continuing state of discussion . Isn't it also pretty nearly impossible at this time to put together just how the gasline would fit in because of the differences in operation, taxation and liquidation of its rates by the federal government. You couldn't look and say that at a given time the gasline is equal against the pipeline so you could look for traces much related to this.

I think, Mr. Huber, that in terms of projection it isn't possible for us to talk about rational projection there without adding hypothetical situations. I don't think at this point, Mr. Chairman, whether we are going to have a few miles of gasline going to the Canadian border or trans-Alaska line. That factor alone makes any kind of computation highly speculative. Technology at this point would be applied in the prospect. It is pretty hard to tell at this point, but technically could, no doubt with the tremendous growth in pipelines,

The problem is the immediate to early years that we're addressing, but as always during tax policies, there is a need to adjust tax policies in the later years to accomodate certain standards as they become clear at that time.

(Mr. Huber) Continuing just a little farther I would like to ask you about one part of the question. I just wanted it clear that it wasn't something that you could project. I then take that these two sheets in this section that we see here today don't reflect considerably more accurate information than anything we have in all of our testimony, all of which of last year and this is then as this is what we think we're going to have to live with and any other things that we are getting are much more tenuous, like that gasline, I think, where you would be mixing something that is uncertain in which this, then, is a pretty good certainty.

I think you have summed it up well, Mr. Huber. Its the statement, far more tentative than any other statement previously made on the subject.

(Mr. Huber) I think, Mr. Chairman, that I understand and I agree with the testimony here today

(Mr. Malcolm ?) Would it unrefine oil and unrefine gas?

Well, the bill is drafted to exclude pipelines that might carry refined gas where the different set of economics has to refined gas lines and lines such as the Anchorage-Fairbanks line now existing for products line.

() Is it conceivable that the gas, either the or natural gas from the oil might have to be dried or put through some process prior to transportation in which case it would no longer be unrefined.

I don't believe that it certainly will give it some treatment to extract some of the particles. I don't believe that the nomenclature used would call that refined.

I don't believe that it constitutes change for legislative purposes here. I might add, incidently, that in terms of administration policy we have, refering basicially to your earlier question, that the legislature feels that it wants to broaden the base of tax to cover smaller pipelines, to cover product lines, we have no policy objection to that that we can see of those arguments that can be raised regarding the effect of disturbing economic consumption when certain lines are obstructed and so on instead of assumption that economic management prevails. We don't believe any such set of assumptions exist in regard to this pipeline which is now contemplated for construction. So, it is the impact from tax that can be readily taken into account, for instance their tarif or what have you and the manner which they sign their ownership and so on can take into consideration the legislative measures adopted. But, there is always the option of broadening the base which you would want carefully to do. This is certainly from the legal point of view in this classification.

() Well, the only thing that bothers me is that in the definition of unrefined in oil and gas you wouldn't want anything happening on the North Slope

but it is part of the natural process for preparing a product for shipment that would take it out of the category of unrefined oil and gas.

A pertinent point, Mr. _____, I will ask Mr. Garnet to research that and give the committee any language that appears appropriate.

(_____) I was wondering how

a 20% share. We are talking about the inactive property tax in terms

Mr. Chairman, the basis for the sharing is to share back to the local jurisdictions. An amount which would be equal to the local mill levy applied to 20% of the value of the pipeline passing through that local jurisdiction. Now the idea here is to provide to the local government some reimbursement for the impact of the line through the local government, but as Mr. Havelock pointed out earlier, not to allow the particular area to let's say become enriched at the expense of other areas by having the state subsidize the entire amount. So, 20% is a number that is arrived at as a means of sharing back to the local government at some extent and not the entire value of the line.

(_____) What I was wondering is is the administration

I don't believe that in our type there is any number

(_____) Also, I'm not sure of the wording, what happens if the local

jurisdiction changes its bill? Would this still just operate by the year that the bill went into effect?

in answering that question, the way it is written, it is true that if the jurisdiction raises its overall mill levy on all property tax in this jurisdiction, there would be a corresponding increase in the amount that it would get back under this 20% revision here. We think there are certain limitations that the local jurisdictions from taking such action, partly because there is a third bill

And, in the normal course of things the raise in the local mill levy would apply to the rest of the property in the jurisdiction of the pipeline. So, normally, you would have the political restraint furnished by that interconnection.

() Also, what happens what all these new boroughs start forming around the pipeline? That's not taken care of in any of these projections. I mean, are they going to be excluded?

The way the bill is set up now any new borough that is formed along the pipeline borough get the benefit of this return, section 120, the same as the existing boroughs. It is also true that the payments to those new boroughs would have some effect on the net available to the state. It is very difficult at this time to predict exactly how that go but it could be very soon. It has been suggested that there is at least a possibility, a legal possibility, that say whole new boroughs would be in the position to take advantage of this provision by in effect exempting most other types of property besides the pipeline and raising the mill levy way up, thus increasing the revenue one would get out of this provision. Now, to guard against this possibility, it has been suggested that a maximum limit be put in on the borough mill rate that might apply. Such as , for instance, instead of saying that the borough gets an amount of money equal it's mill levy on 20%, say it gets an amount attributed to it mill levy up to a maximum of 20 mills

or something of that sort.

() The possibility, of course, that exists now in the absence of this bill is not something that is

There is a figure given not too long ago. We had asked questions the last time we had about what is the relative taxation, the total taxation, on the oil companies in Alaska as opposed not just to the United States but with foreign countries. There was a figure that was given in the newspaper from a release I assume from the Governor's office, as I remember it was something like 51¢ for Alaska, I guess this is for and I guess it was something like \$3.50 for

We has asked for this information before

We will look into that further. The 50¢ figure would be the accumulation of and that, in fact,

(Mr. Fink) I have a couple questions, one to extend Mr. () question on refined and unrefined. I tend to think that the language you have is a more correct language, but with your reasons, if they decide to refine it on the north slope it would take them a year or two to do it in which case we could correct it. And secondly, if you put anything other than refined in there you will upset the local government taxes in the Anchorage area because they all have some various pipelines of refined fuel and I assume that's why

Now, the other part, the one part that puzzles me under your local share here. I think it ought to be changed. They have a....you don't say that local government will necessarily get that money, of course, cause you can't dedicate it. You say that the legislature may appropriate up to that figure. It seems to me that it makes a lot more sense to allow local government to tax, let's say, up to 20 mills on say 15% of the evaluation, in which case the local government knows they're going to get their money. It isn't up to the legislative here as your bill will make it up to

legislative whim. And, secondly, of course, you can put the tie down on the amount that local government is going to get as opposed to the discussion we just had with the 30 mills. For example, if the government only wanted to tax 15 mills, of course they wouldn't get the full benefit which you're suggesting that the legislature give them. Do you have any particular objection to taking the route of allowing local government to charge the tax, deduct it, from what they pay the state government, and put some limits upon the millage, and, of course, you would limit the percentage of value they can tax. Do you have any objections to that approach because I know it was kicked around last year at the House Finance and they preferred that approach, now you've come back with a little different approach.

Mr. Fink, if I might comment on that, I don't think there is any basic strong objection to approach. I just would mention the reason it was done this way in the first place. The concept was just that it was easier and simpler to have only one entity per state handle this tax and assess it and send

I think you could consider
alot of value. I don't believe there was
strong objection to

(Mr. Huber)

During the last hearing I asked the oil company witnesses if they had assessed that this was not a discriminatory tax that had really had really protected us against local government taxation which could be higher. I'd like to make it sure, my question, assuming that we do not pass this taxation bill in any manner, and assuming maximum liberty that the local government entities that are or may be formed in the future along with all of this pipeline now or would have under current law. I want your assessment or agreement that this , whichever it might be, that actually would be liable to more tax under our present local government structure than they

are under this bill.

That is somewhat speculative because terms of their potential liability, it would be, of course, far in excess as provided for in this bill insofar as there are not substantial limits perhaps in terms of letting the sky is essentially the limit as far as that goes. There are.....

(Mr. Huber) I was assuming 30 mills under the borough's present....plus the deficit.

I'm not sure that 30 mills is necessarily a constraint on the whole. I would have to check the statute on that, but I don't recall, frankly, if it did. There is another aspect, of course, that I would speculate as being present in oil company or industry's thinking about it which would be the smaller units of government are traditionally in the long run, regardless of what they may be in the short run, but in the long run they are far more subject to being controlled by the industry, they do not have the resources to match large industrial conglomerates. So, it is possible that they might for some reason think it was in their best interest to deal with those large numbers of small government entities. This is speculation on my part.

(Mr. Huber); Mr. Chairman, I started this line of questioning and I did mention it during the last hearing we had when an oil company was testifying here on a bill. The reason for this is that last year in considering these same items, the Fairbanks , naturally we people from the Fairbanks area looked into this, and we have about 70 miles of the proposed pipeline which will pass through the North Star Borough. We saw that with our maximum taxation in that same class borough being allowed at 30 mills, and that we could do this, that with a far greater amount of money that we could extract from that pipeline operation and put into

local government for that 70 miles than we would get from the state, even though the state does have some shared revenue. We also saw the problems. This is why immediately I saw this partly a protective measure to oil companies in this state with their pipeline that would stabilize their taxation rather than making it the of all organized boroughs. And then I wanted to ask one more question on that. Assuming that all of this pipeline was not now covered by organized boroughs and that we didn't pass this, we know that the local boroughs, or the local governments which are formed, would tax, wouldn't it then be possible for the legislature acting as the unorganized borough to do their duty and set and collect that portion of tax to make it fair
Could it be done or is it excluded?

Well, we did have if I understand you correctly, we did have a proposal for a tax on the unorganized borough which was offered to the legislature previously on it, so there is, I believe, that there could be a tax from the unorganized borough for those purposes. In exercising the protection that comes to the industry, , we would want to overlook the protection to the statewide interest of all the people of the state involved. The asset does really create the burdens which come with the pipeline and this development are not allⁱⁿ a corridor along side the pipeline, particularly in the long run. And, I think that legislative interest, or statewide interest, to assure that the revenue capabilities which are to be distributed on an equitable basis for all the people of the state.

(Mr. Huber) Thank you, Mr. Chairman. I didn't want it to be construed that I oppose this because 70 miles goes through the North Star Borough, but I wanted to bring out that this is a definite shelter for the oil companies to what they could have if we taxed them on a local level.

(Mr. Nalton?) I don't quite understand the last sentence in section one. The tax levied under this chapter does not apply to property subject to taxation by city or borough on January, 1973, or January 1 of each succeeding tax year. If the North Slope Borough had an _____ tax in all the pipes stored up there on the North Slope, _____ in that provision...

The first thing I would like to mention, we talked about this before,

_____ and the question came up whether the

_____ meant that the tax was actually levied or whether the stuff was located in a place where a tax could have been levied. And that question, of course, is relevant to the North Slope Borough situation. Most of them had a potential to levy a tax before January 1, 1973. Now, in the amendments that we proposed to this in our last meeting, we changed to wording to say that the tax levy does not apply to property under which an _____ tax was levied by a city or borough for the year beginning January 1, 1973, and continues to be levied for each succeeding year. Now, I think the effect of this language is simply to make sure that the existing property tax, the base, in any jurisdiction, any existing jurisdiction as of January 1, 1973, is not disturbed. It is in a sense a grandfather clause for existing property tax basis and to make sure that this tax only reaches the new property as declared for the pipeline. I'm not sure if I have answered your particular question, but that's the fact.

(Mr. Nalton?) Right. I didn't have the amendments. Mr. _____ just handed me his copy _____ . That was all that I had.

(Mrs. Miller) All these projections were based upon a 20 mill rate?

That's correct.

(Mrs. Miller) Then your testimony is considerably higher than anything else that

has been levied in this type of a tax. Would you agree with this? We heard testimony that the average is 10 to 12 mills.

That is true as to a status quo. It would be considerably higher if you assume no further formation of borough government. It's significantly higher now than . I think the North Star Borough is, I think, the heaviest taxing jurisdiction.

(?) in the North Star Borough to come off to 28.4.

(Fink?) (?) You were referring to the nationwide one, weren't you? Ya, well, I think that the big hooker there is that it is a 100% evaluation and I think that in the area of 22-2500% evaluation is the norm throughout the United States. Now, you can find them in all different rates depending upon their assessed evaluation. I think that 20 is a good figure across the country on a 100% evaluation. I would disagree with anyone who would say that it is less.

(Mr. Guy?) The question has been asked probably

about the 30%

tax levy

. I'm looking at particularly the section

figure 030 on page two

and then also looking at the on

and My question is are the

Well, sir, let me see if I can explain what these things mean

The provision over here on page two, section 030, is to remove or replace that provision. It simply states that this 20 mill tax on the property subject to the tax will be the only tax on that property. In other words, in the category that we are talking about, this excludes local taxation. Now, over in the definition section here the _____ is referred to about _____ otherwise taxable property exempted from taxation under home rule, ordinance, or charter, I believe that the effect of that and the intent of that provision is just to make sure that a local government, _____ that the home rule power of a local government to exempt certain types of property is superior to the definition of the class of property we are trying to tax. This is combined, in effect, in these two provisions. This is to make sure that we do tax, that this tax does reach the property that's described without regard to what the borough, in exercise of its home rule powers, might do by way of creating exemption for this property. I don't think it's very likely that a borough would feel moved to create exemption for 48 inch pipelines, but to cover that contingency is the reason its there.

(Mr. Guy) What are you saying, Mr. Chairman? That this is an effort to levy taxes on property as we see them here on this bill on all levels of different government?

Yes, sir. The intent is to reach the property of the class described, where ever located, without regard to exemptions that a local government might porporte to create later.

(Mr. Huber) It is only a matter of clarification. Mr. Knott of the taxability of presently stored pipe in Alaska. I don't know what effects the North ^{Slope} Star Borough, but in the case of the North Star Borough we're taking a vote to _____. There is an exemption on personal property tax but its a relatively simple matter for the North Star Borough to tax personal

belonging to anyone with a one million dollar exemption, for instance, which would be an equitable spread, but which would still catch practicably only the pipeline, and the contractors, which wouldn't make the general public mad at all. They are now presently subject to this and with the revenue crunch they have throughout the state, unless some new form of taxation like this is passed, we are certainly going to have the boroughs reaching in to do it and the state having to come in and

. Mr. Havelock, do you have any conflict with a statement like that?

Well, as far as I'm concerned, that describes the situation as it is likely to develop.

(Mr. Huber) I'm trying to get the oil companies to believe that

Its going to cost a lot of money.

(Mr. Chairman) Any more questions from the rest of the committee?

If there are no more questions, I would like to distribute to you for your benefit copies of proposed regulations which have been promulgated by the Commissioner of Natural Resources which relate to the definition of terms in the right-of-way leasing act and which would, perhaps, be of some assistance to you. in looking at those revenue estimates. I might add the supplement the projections are based upon the assumption that the industry behaved, the owners behaved, in a rational manner. By rational in an economic vent, we mean a manner designed to maximize after tax verdict. In speculating about where they get their projections, some of these things have been quoted in the papers, one suggestion was offered that they actually anticipated being able to charge a tariff much higher than is allowed. We indicate that a high tariff would be, in our view, irrational

economic behavior. This does not mean, of course, that it is inconceivable that owners or of them might engage in economically irrational behavior, under the definition I have described. In doing so they would be pursuing other projections other than maximizing income of which perhaps the most obvious is the reduction.

(Mr. Huber) Certainly that is also part of our meeting

I certainly think it is a legislative responsibility, sir, yes. I might note that your anti-trust bill has been

(Mr. Huber)

I would have to consult with some of the

(Mr. Huber) Maybe you could send down to the Committee the idea for the high amount of priority on this and . I would kind of like to hear it.

I think they are both high priority bills, Mr. Huber.

(CHAIRMAN) If there are no more questions, the meeting is adjourned.

STATEMENT OF E. W. WELLBAUM

ON HOUSE BILL NO. 59

BEFORE THE RESOURCES COMMITTEE

ALASKA HOUSE OF REPRESENTATIVES

TUESDAY, JANUARY 30, 1973

MR. CHAIRMAN AND MEMBERS OF THE COMMITTEE, MY NAME IS EDGAR W. WELLBAUM. I AM VICE PRESIDENT OF ALYESKA PIPELINE SERVICE COMPANY. I APPEAR TODAY TO TESTIFY ON HOUSE BILL NO. 59, AN ACT WHICH WOULD IMPOSE A STATE TAX ON PROPERTY USED IN TRANSPORTATION OF UNREFINED OIL AND GAS.

AT THE OUTSET, I WOULD EMPHASIZE TO THE UTMOST OF MY ABILITY THAT THE PETROLEUM INDUSTRY GENERALLY, AND THE MANAGEMENT OF ALYESKA PIPELINE SERVICE COMPANY PARTICULARLY, ARE IN FULL ACCORD WITH THE PROPOSITION THAT THE PETROLEUM INDUSTRY AND ALL OF ITS COMPONENTS SHOULD BEAR A FAIR SHARE OF THE TAX BURDEN OF ALL STATES IN WHICH THEY DO BUSINESS. WE ARE CORPORATE CITIZENS AND EXPECT TO SHARE OUR RESPONSIBILITIES WITH ALL OTHER CITIZENS. I THINK THE RECORD OF OUR INDUSTRY IN ALL OF THE OIL AND GAS PRODUCING STATES CONFIRMS THIS. ITS RECORD IN ALASKA IS NO EXCEPTION. WE RECOGNIZE THE AD VALOREM TAX AS A PROPER EXERCISE OF THE TAXING POWER OF A STATE. HOWEVER, WE ARE CONVINCED THAT IT IS NOT ONLY UNFAIR BUT OF MOST DUBIOUS WISDOM TO SINGLE OUT ONE INDUSTRY OR ANY COMPONENT OF IT OR ANY ONE SEGMENT OF THE CITIZENRY FOR SPECIAL TAXES WHICH CANNOT BE DISTRIBUTED TO THE BROAD BASE OF PRODUCTIVE ACTIVITY AND ENTERPRISE THROUGHOUT THE STATE. WE FEEL ENACTMENT OF THIS BILL WOULD BE AGAINST THE BEST INTEREST OF THE CITIZENS OF ALASKA INCLUDING THE PRESENT AND POTENTIAL ALASKAN BUSINESS INTERESTS.

THERE CAN BE NO DOUBT THAT HOUSE BILL NO. 59 SINGLES OUT THE TRANS ALASKA PIPELINE FOR THE IMPOSITION OF A VERY SPECIAL AND VERY

BURDENSOME TAX. THE BILL, IF ENACTED, WOULD IMPOSE ANNUALLY A TAX OF 20 MILLS ON "...PROPERTY EMPLOYED IN THE TRANSPORTATION OF UNREFINED OIL AND GAS." EXEMPTED ARE "...PIPELINES LESS THAN 21 INCHES IN DIAMETER." THIS LEAVES ONLY THE TRANS ALASKA PIPELINE TO BEAR THE BURDEN OF THE TAX. WITH SINGULAR IMPATIENCE, THE TAX WOULD BE IMPOSED BEFORE THE PIPELINE EXISTS, FOR IT APPLIES TO PIPELINES "...UNDER CONSTRUCTION OR AWAITING CONSTRUCTION...". FOR SUCH PIPELINES, THE VALUE IS DEFINED AS THE "...COSTS INCURRED OR ACCRUED...AS OF THE ASSESSMENT DATE" WHETHER OR NOT THE PIPELINE IS EVER COMPLETED.

I AM NOT A LAWYER AND I CERTAINLY DON'T MEAN TO RAISE ANY QUESTIONS ABOUT THE LEGALITY OF THE BILL. I AM MORE CONCERNED WITH ITS INTENT. LEGISLATIVE POLICY PROHIBITING THE PRACTICE OF SINGLING OUT ONE INDUSTRY OR ACTIVITY FOR SPECIAL TAXATION FINDS EXPRESSION IN THE CONSTITUTIONS OF EVERY STATE IN THE UNION. IN ALASKA, ARTICLE II, SECTION 19 PROHIBITS THE LEGISLATURE FROM ENACTING LOCAL OR SPECIAL LEGISLATION IF GENERAL LEGISLATION IS APPLICABLE: AND ARTICLE IX, SECTION 2 PROHIBITS TAXATION OF PROPERTY OF NON-RESIDENT CITIZENS AT A RATE HIGHER THAN THAT APPLIED TO PROPERTY OF RESIDENTS. WHILE HOUSE BILL NO. 59 MAY NOT LEGALLY VIOLATE EITHER OF THOSE PROVISIONS OF THE ALASKA CONSTITUTION, IT CLEARLY VIOLATES THEIR EXPRESSED POLICY AND SPIRIT, BOTH OF WHICH FORBID DISCRIMINATORY TAXATION AND OTHER LEGISLATION. NOT ONLY DOES HOUSE BILL NO. 59 SINGLE OUT THE TRANS ALASKA PIPELINE FOR SPECIAL TAXATION, IT TAXES AT ONE OF THE HIGHEST RATES IN THE STATE. THIS IS QUITE APPARENT FROM SECTION 43.56.120 OF THE BILL, WHICH WOULD AUTHORIZE ANNUAL APPROPRIATIONS TO THE TAXING JURISDICTIONS THROUGH WHICH THE PIPELINE WILL BE BUILT, BUT IT WILL RETURN TO SUCH A JURISDICTION ONLY THE AMOUNT OF TAX WHICH WOULD HAVE BEEN RAISED BY APPLICATION OF THE MILL LEVY OF THAT JURISDICTION FOR ANY

YEAR (COMPARED WITH THE 20 MILL LEVY IN THE BILL) TO ONLY 20% OF THE VALUE OF THAT PORTION OF THE PIPELINE LOCATED THEREIN. THUS, WHILE THE TAX UNDER HOUSE BILL NO. 59 WOULD BE IN LIEU OF ALL OTHER AD VALOREM TAXES, IT IS CLEARLY FAR IN EXCESS OF ANY OTHER AD VALOREM TAX IMPOSED BY ANY OTHER TAXING JURISDICTION THROUGH WHICH THE PIPELINE WILL BE BUILT.

THE STATE OF ALASKA MUST HAVE A WELL-PLANNED, FAR-SIGHTED, COMPREHENSIVE AND STABLE TAX BASE IF IT IS TO SATISFY ITS LONG-TERM FINANCIAL REQUIREMENTS, ACCOMMODATE THE INCREASING DEMANDS OF AN EXPANDING CITIZENRY AND MAINTAIN AN ATTRACTIVE CLIMATE FOR EXISTING AND NEW POTENTIAL BUSINESS INVESTMENT. INSTEAD OF WORKING TOWARD SUCH BENEFICIAL OBJECTIVES, HOUSE BILL NO. 59 WOULD ADD TO THE DEGENERATING POSTURE OF STATE TAXATION. AS YOU KNOW, SPECIAL LEGISLATION ENACTED TO APPLY SOLELY TO THE TRANS ALASKA PIPELINE HAS RESULTED IN COMPLEX LITIGATION WHICH MAY DELAY CONSTRUCTION AND POSTPONE PRODUCTION OF OIL AND GAS FROM PRUDHOE BAY ALONG WITH THE FLOW OF REVENUE AND ECONOMIC BENEFITS WHICH RESULT THEREFROM.

ENACTMENT OF HOUSE BILL NO. 59 WOULD BE ALL THE MORE REGRETABLE BECAUSE IT IS BY NO MEANS NECESSARY TO ANY EFFORT TO LEVY A FAIR AND PROPORTIONATE TAX ON THE PROPERTY AND ACTIVITY WHICH WILL BE INVOLVED IN THE TRANS ALASKA PIPELINE SYSTEM. THE RECORD CLEARLY SHOWS THAT THERE HAS NEVER BEEN THE SLIGHTEST OBJECTION FROM THE PETROLEUM INDUSTRY OR THE OWNERS OF THE TRANS ALASKA PIPELINE SYSTEM TO LEGISLATION WHICH APPLIES EQUALLY TO ALL CITIZENS AND TAXPAYERS IN THE TAXING JURISDICTION.

THERE IS NO DOUBT WHATEVER THAT IF AND WHEN OIL PRODUCTION STARTS AT PRUDHOE BAY AND MOVES THROUGH THE TRANS ALASKA PIPELINE SYSTEM TO VALDEZ, THE OIL INDUSTRY WILL PROVIDE THE LARGEST SHARE OF STATE REVENUE

THROUGH ROYALTY AND TAXES. IT IS THUS UNFAIR AND UNNECESSARY TO CREATE SPECIAL AND DISCRIMINATORY TAXES ON THE TRANS ALASKA PIPELINE SYSTEM. SINCE IT WILL BE ONE OF THE MAJOR ECONOMIC UNITS IN ALASKA AND WILL EMPLOY PROPERTY OF GREAT VALUE, IT IS INEVITABLE THAT ANY FAIR, EQUITABLE AND FAR-SIGHTED TAX PROGRAM WILL DERIVE A MAJOR PORTION OF ITS REVENUE FROM THE PIPELINE.

IN CONCLUSION, I WOULD EMPHASIZE THAT WE REQUEST NO EXEMPTIONS WHATEVER FROM ANY TAXATION, BUT ONLY THAT WE BE SPARED THE BURDEN OF SPECIAL AND DISCRIMINATORY TAXATION. WE BELIEVE THAT THIS BILL IS DISCRIMINATORY, UNFAIR, PREMATURE AND THAT IT SHOULD NOT BE CONSIDERED FURTHER AT THIS TIME. WE BELIEVE THAT ANY TAXATION OF THE TRANS ALASKA PIPELINE SYSTEM SHOULD BE CONSIDERED AS PART OF AND COORDINATED WITH A LONG-TERM TAX PROGRAM OF THE STATE AS IT APPLIES NOT ONLY TO TRANSPORTATION OF OIL AND GAS BUT TO OTHER ECONOMIC ACTIVITY AS WELL. WHEN CONSIDERED IN THAT CONTEXT, WE ARE CONFIDENT THAT THIS AND FUTURE ALASKAN LEGISLATURES WILL TAX THE TRANS ALASKA PIPELINE SYSTEM AS AN INTEGRAL PART OF A COORDINATED PROGRAM OF TAXATION WHICH WILL NOT SINGLE OUT ANY ACTIVITY OR INDUSTRY TO BEAR A DISCRIMINATORY OR DISPROPORTIONATE SHARE OF THE TAX BURDEN OF THE STATE.

March 19, 1973,

Rep. Selwyn Carroll and
Rep. Larry Peterson
Pouch V
Juneau, Alaska 99801

Dear Sirs:

H. B. No. 245.

As per your request when you were in Fairbanks I give you the following analysis of the above Bill:

1. At page -1-, lines 13 and 14, it states that the tax (and exemptions) shall apply to real and tangible personal property "employed in the production and transportation" of unrefined oil and gas.

This means that no tax could be levied by any city, borough or school district on any oil producing equipment in their districts except as outlined in H. B. 245. This is not, therefore, a pipe line bill but includes all producing leases. By way of example the Kenai Borough is now receiving some taxes from oil producing equipment (which for a long time were tax free) but this would be abolished under the above provision. This would also abolish the taxing of such equipment by school districts, cities or other government subdivisions. The impact is on these communities to provide schools, utilities and other facilities for the development of the oil fields but the taxing authority would be taken away by this bill.

2. Lines 25 through 29 again states that the only tax local government can levy on such "taxable real and tangible personal property employed in the production and transportation of unrefined oil and gas." is a levy of not more than 20 mills on not more than 25 per cent of the full and true value of such taxable property. This again exempts from local taxation 75% of the taxable property and limits such taxation on the remaining 25% by local government to 20 mills.

Under Sec, 43.56.020 headed "EXEMPTIONS" Page 2, Lines 5 through 7 and Under Sec. 43.56.030, headed "IN PLACE OF OTHER TAXES" it provides:

"the following property is exempt from the tax levied under this chapter: (1) producing oil or gas leases; (2) oil and gas produced in the state upon which gross production taxes are paid under AS 43.55."

This means that all producing oil and gas leases---and probably all equipment located thereon---would be exempt from taxation under the bill. It further means that all oil in storage in tanks on tank farms and leases, and all oil in pipe lines would be exempt from taxation. This is a very sizeable amount of personal property. I do not have the exact figures but the oil in the TransAlaska Pipe Line (or Alyeska) would amount to many millions of dollars worth of oil. In addition that in storage would also be large. These products would ordinarily be taxable as personal property and are taxed in most other oil producing states as such. This bill would exempt this property from taxes and Lines 8 through 11 provide that they would be in lieu of all ad valorem taxes on property subject to tax under this bill or any that are "hereafter imposed by the state, or by a city or borough". (Lines 10 and 11, Page 2).

Sec. 43.56.040, headed "ASSESSMENT" provides that the assessment of such property shall be

"carried out by the state assessor".

and that

"the state assessor shall function in place of the local assessor, and the State Assessment Review Board shall function in the place of the assembly or council sitting as a board of equalization."

Sec. 43.56.050 (lines 19, 20, 21, then provides

"The Governor shall appoint at least five qualified persons to serve at his pleasure as the State Assessment Review Board."

In ordinary language this means that no local government would have any authority over the assessment of such taxes but that the same would be done by State Officers who were

appointed by the Governor and who could be fired by him when he desired. These officers would have the power to reduce the assessed valuation of such property to a minimum and the property would not be assessed by the same officers who assessed other property in such districts, boroughs and cities. These offices would be sought by the owners of such oil producing and transportation equipment and they would try to stack them with their friends in order to reduce their taxes as much as possible. This could mean the loss of millions and millions of dollars in taxation to the boroughs, cities, school districts and state.

Line 1, page 3, provides that such taxes, including that due the boroughs, school districts and cities,

"is payable in full to the Department of Revenue".

This is followed at lines 26 and 27, page 3, with

"The revenue from the tax levied under this chapter shall be deposited in the general fund."

This means that even the 25% that was reserved for local government would be paid into the General Fund of the State of Alaska---and that if it was not first used for some other purpose that it would be returned to such local governments IF (1) A bill was introduced in each legislative session requesting the payment of the same to such local bodies, and, (2) Such bill was passed by such future legislative bodies and was not vetoed by the Governor.

Section 43.56.120 Then provides that the "State Assessor and the Department of Revenue may adopt regulations as appropriate to carry out their respective duties under this chapter."

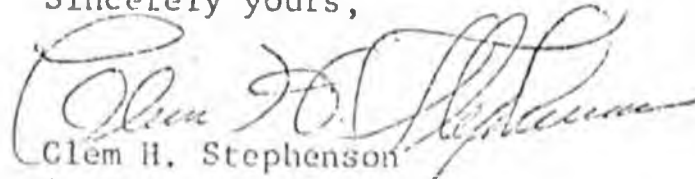
This gives away some more legislative power to a bureau. The same bureau that is appointed to assess, and collect, such taxes. This delegating of law-making power to those who are to enforce the laws and who are not elected by the people gives to the enforcer the power to make the laws---when the enforcers will be appointed under strong political pressure and may not represent the interests of the people of the State of Alaska.

Sec. 43.56.120, provides that "taxable real and tangible personal property" means machinery, appliances and equipment used in the operation of wells producing oil or gas and tank farms, tanker terminals, gathering and transmission lines, and related facilities." (Lines 6 through 13. This means that there will be no local taxation of any oil producing or transporting equipment in the State of Alaska---although the schools, utilities, housing, libraries, streets, police protection, and all other local government functions that are needed for the employees of the owners of such equipment, and the owners themselves, will have to be furnished mainly at the expense of the other taxpayers in the communities in which such oil production is located and through which such pipelines pass.

It is my opinion that if this bill is passed in this form that the State of Alaska should abolish all forms of local government and provide that every facility in the State of Alaska should be furnished by the State.

Hoping these comments may be helpful to you, I am

Sincerely yours,


Clem H. Stephenson
1555 Westwood Way
Fairbanks, Alaska 99701

H B

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OFFICE OF THE EXECUTIVE DIRECTOR

2211 Sunrise Drive
Anchorage, Alaska 99504

February 12, 1973

Representative Genie Chance
Pouch V
Juneau, AK 99801

Re: Memorandum - fluoridation

Incorporation of the provisions of HB81 in the responsibilities of either the Dept. of Health & Social Service or the Dept. of Environmental Conservation would be acceptable to the Alaska Dental Society as long as positive results were obtained. It does seem appropriate to put the statute dealing with fluoridation under a section headed "Disease Control" for that indeed is what its purpose is to control caries which is truly a rampant disease.

We do understand the practical difficulties involved in small municipal water supplies. But as Mr. Brewer states, a majority of the large municipalities have fluoridated water thus already facing the problem. I would not advise that we limit the population to 2,000 or 3,000 for it is in the smaller communities and villages that dental disease is most rampant and where professional help is least available. Research in fluoridators have rapidly advanced. There are available simple inexpensive units that can be used for as small a water supply as that used in an individual home. I will send you brochures on these units under separate cover. As you will see, "capability of providing fluoridation" exists everywhere.

Sincerely,

G. T. Morrow, D.M.D.
Executive Director

crb
Enclosures

Representative Genie Chance

Page 2

February 12, 1973

cc: Honorable Max C. Brewer
Honorable Mike Bradner
Honorable Willard Bowman
Honorable Hugh Malone
✓ Honorable Selwyn Carrol
Honorable Helen Beirne
Honorable Milo Fritz
Honorable Charles C. Degnan
Mr. Caleb Fungowiyi
Dr. Tom Austin
Dr. Joshua Wright
Mr. Harry Porter

P. S. Public Law 86-121 provides a mechanism for the U. S. Public Health Service to provide fluoridators to communities where 80% of the population are their beneficiaries.

FLUORIDATED WATER SUPPLIES

<u>Community</u>	<u>Population Served</u> <u>1970 Preliminary Census</u>	<u>Date of</u> <u>Installation</u>	<u>Chemical Knowr.</u>
Anchorage	46,237	1953	Na ₂ SiF ₆
Douglas	1,237	1964	Na ₂ SiF ₆
Eielson AFB **	5,232	1958	NA
Elmendorf AFB **	15,700	1957	NA
Fairbanks	14,336	1962	Na ₂ SiF ₆
Fort Richardson **	10,500	1957	NA
Fort Wainwright **	8,800	1957	NA
Mt. Edgecombe	1,900	1963	NaF
Sitka	3,327	1963	NA
USN Kodiak **	3,500	1961	NA
Metlakatla *	160 Homes	1963	NaF
Yakutat *	47 Homes	1963	NaF
Angoon *	60 Homes	1964	NaF
Unalakleet *	110 Homes	1965	NaF
Old Harbor *	41 Homes	1969	NaF
Ouzinkie *	43 Homes	1969	NaF
Port Lions *	42 Homes	1968	NaF
English Bay *	16 Homes	1966	NaF
Hoonah *	175 Homes	1966	NA
Holy Cross *	38 Homes	1969	NaF
Russian Mission *	28 Homes	1969	NaF
Hydaburg *	NA Homes	NA	NaF
Goodnews Bay *	39 Homes	1971	NaF
Bethel *	200 Homes	1971	NaF

FLUORIDATED WATER SUPPLIES

<u>Community</u>	<u>Population Served</u> <u>1970 Preliminary Census</u>	<u>Date of</u> <u>Installation</u>	<u>Chemical Known</u>
Minto *	35 Homes	1971	NaF
Lower Kalskag *	36 Homes	1971	NaF
Chistochina *	9 Homes	1971	NaF
Dot Lake *	9 Homes	1971	NaF

Estimated

1288

Est Pop Served = 114000

NA = Not Available

* USPHS Indian Health Service Installations

** Federal Installations

*% of Population in Stat. on
Fluoridated Water Supplies*

114,000 / 382,000 ≈ 30%

STATE OF ALASKA

WILLIAM A. EGAN, GOVERNOR

DEPT. OF ENVIRONMENTAL CONSERVATION

POUCH 0 — JUNEAU 99801

January 26, 1973

The Honorable Helen Bierne, Chairman
Health, Welfare and Education Committee
House of Representatives
Pouch V
Juneau, Alaska 99801

Dear Mrs. Bierne:

Re: HB 81, Mandatory Fluoridation

In accordance with the authority set forth in AS 46.03.020(10)(C), I suggest the desirability of incorporating the provisions of House Bill 81 into the program of the Department of Environmental Conservation, rather than into the Department of Health and Social Services. Whereas the bill deals with the engineering aspects of fluoridating public water supplies, it proposes that the new material be inserted as AS 18.15.210, a section dealing with a variety of infectious and contagious diseases under the heading of "Disease Control." While proper fluoridation has been shown to be an effective preventative against dental caries, specific requirements of this legislation are engineering in nature.

As you consider this bill, I should like also to invite your attention to certain practical difficulties which will be involved, no matter who is to administer it. Where fluoridation has been mandated in the contiguous 48 states, whether by legislation or by regulation, it has been common practice to establish a population threshold, such as 2,000 or 3,000 persons in a municipality, above which the application of fluoride becomes mandatory. If this suggestion were followed in Alaska, fluoridation could become practical. Very small municipalities here have experienced considerable difficulty in attempting to maintain even chlorination, much less the more difficult practice of fluoridation. A prime example is the situation during the winter of 1971-72 when several hundred persons in Cordova became ill because the chlorination equipment had failed and new parts had not arrived.

It is also interesting to note that most major communities in Alaska with the capability of providing fluoridation, already do so, and

January 26, 1973

that for many years Alaska has appeared in the top ranking of the U.S. Public Health Service listing of percentage of persons receiving fluoridated water from municipal supplies.

Sincerely yours,



Max C. Brewer
Commissioner

cc: The Honorable Genie Chance
The Honorable Mike Bradner
The Honorable Willard Bowman
The Honorable Hugh Malone

(same letter to The Honorable Selwyn Carroll)

(Local Govt. Comm. (Lynn.))

Figure 12. Fluoridation Check-List

Chemical And System	Sodium Fluoride Manual Solution Preparation	Sodium Fluoride Automatic Solution Preparation	Fluosilicic Acid Diluted
Water Flow Rate	Less Than 500 gpm	Less Than 2000 gpm	Less Than 500 gpm
Population Served By System Or Each Well Of Multiple-Well System	Less Than 5000	Less Than 10,000	Less Than 10,000
Chemical Cost, FOB Manufacturer	22 - 25¢/lb	20 - 22¢/lb	8 - 15¢/lb (30% Basis)
Chemical Cost/lb Fluoride Ion	50 - 57¢	46 - 50¢	33 - 63¢
Equipment Cost/Unit	\$100 - \$500	\$500 - \$1000	\$250 And Up
Equipment Required	Solution Feeder, Mixing Tank, Scales, Mixer	Solution Feeder, Saturator, Water Meter	Solution Feeder, Scales, Measuring Container, Mixing Tank, Mixer
Feed Accuracy	Depends On Solution Preparation And Feeder	Depends On Feeder	Depends On Solution Preparation And Feeder
Chemical Specifications And Availability	Crystalline NaF, Dust-Free, In Bags Or Drums. Generally Available.	Downflow - Coarse Crystalline NaF In Bags Or Drums. May Be Scarce. Upflow - Fine Crystalline NaF	Low-Silica Or Fortified Acid In Drums Or Carboys. Generally Available.
Handling Requirements	Weighting, Mixing, Measuring	Dumping Whole Bags Only	Pouring Or Siphoning, Measuring, Mixing, Weighting
Feeding Point	Injection Into Filter Effluent Line Or Main	Injection Into Filter Effluent Line Or Main	Injection Into Filter Effluent Line Or Main
Other Requirements	Solution Water May Require Softening	Solution Water May Require Softening	Dilution Water May Require Softening
Hazards	Dust, Spillage, Solution Preparation Error	Dust, Spillage	Corrosion, Fumes, Spillage, Solution Preparation Error

STATE OF ALASKA

DEPT. OF ENVIRONMENTAL CONSERVATION

WILLIAM A. EGAN, GOVERNOR

POUCH 0 — JUNEAU 99801

March 28, 1974

The Honorable Selwyn Carrol
Chairman, House Committee on Community
and Regional Affairs
Alaska State House
Pouch V
Juneau, Alaska 99801

Dear Representative Carrol:

Commissioner Max Brewer and I appreciated being given the opportunity to answer questions at your committee hearing Monday morning, March 25, 1974.

In response to Representative Terry Gardiner's inquiry regarding the cost of fluoridation, I have enclosed a copy of a summary table prepared by the Environmental Protection Agency in 1972 and applicable for lower States. The equipment costs do not include installation, nor do they include the cost of a water softener which would be required for waters with hardness greater than 75 ppm (very "soft" water).

Further, I have obtained information from Juneau indicating their total equipment and installation cost was approximately \$5000 (approximately \$0.65 per capita). Chemicals cost \$0.50 per pound (compared with \$0.15 per pound in the table) and their estimated operating cost is \$0.50 per capita per year (compared with \$0.16 per capita per year on a national level).

For remote communities and very small installations such as schools I do not have this information, however, the unit costs for transportation and labor are likely to be considerably more.

Nevertheless, as we indicated at the meeting, it is not the cost that is of concern to us so much as it is insuring that fluoridation will be provided only for those water supplies which have adequate control over operation and maintenance of their systems on a continuous basis after they are installed.

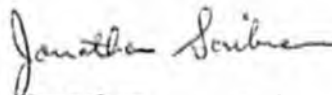
Representative Carrol

-2-

March 28, 1974

Please feel free to contact us further should there be additional questions.

Sincerely,



Jonathan W. Scibner, Chief
General Engineering Section

cc: Representative Terry Gardiner
Guy Van Doren

H

B

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7

March 14, 1974

The Honorable Hugh Malone
Alaska House of Representatives
Pouch V
Juneau, Alaska 99001

Dear Mr. Malone:

There is an error in the computation on which the fiscal estimate of proposed CSIB 87 is based.

The population estimate of the Fairbanks-North Star Borough should read 32,538. At \$5 per capita, the entitlement would amount to \$162,690; under the sliding scale formula, the estimate should read \$136,614.

The analysis totals should be adjusted to read:

Proposed CSIB 87	\$ 1,047,810
Sliding scale approach	\$ 1,057,392

Individual municipal entitlements are recounted in the attached work papers.

I regret the error.

Very truly yours,

John E. Chenoweth
Director

JBC:ly
Enclosures

PROPOSED
 CS FOR HOUSE BILL NO. 87
 Fiscal Note Analysis
 Community and Regional Affairs
 Local Government Assistance

<u>Borough or Municipality with Permits</u>	<u>FY 74 Population Estimate</u>	<u>\$5/Capita</u>	<u>Sliding Scale See Below</u>
* **Anchorage Borough	67,383	\$ 336,915	\$ 241,149
Anchorage, City of	58,718	293,590	215,154
*Fairbanks Borough	32,538	162,690	136,614
Kenai	3,533	17,665	32,665
Kenai Peninsula Borough			
*** Sterling	30	150	300
Ketchikan	7,386	36,930	51,930
Mat.-Su. Borough			
*** Big Lake	47	235	470
Butte	1,297	6,485	12,970
**** Lake Louise			
**** Sunshine			
Sutton	356	1,780	3,560
*** Talkeetna	240	1,200	2,400
Wasilla	1,650	8,250	16,500
*** Willow	50	250	500
Sitka Borough	6,109	30,545	45,545
Soldotna	1,202	6,010	12,020
Valdez	1,106	<u>5,530</u>	<u>11,060</u>
TOTAL		\$ 908,225	\$ 782,837

*Military Bases Excluded
 **Anchorage Borough
 Minus Anchorage, City of
 ***Census Figures--1973 Estimates--see assumptions attachment
 ****Population Data unavailable

SLIDING SCALE:

\$10 per capita for first 3,000 of population
 \$ 5 per capita for next 9,000 of population
 \$ 3 per capita for all above 12,000 of population

CS FOR HOUSE BILL NO. 87
Fiscal Note Analysis
Community And Regional Affairs
Local Government Assistance

<u>Municipalities Expected to Qualify by 7/1/74</u>	<u>FY'74 Population</u>	<u>\$5/Capita</u>	<u>Sliding Scale See Below</u>
Barrow	2,307	\$ 11,535	\$ 23,070
Cordov	2,114	10,570	21,140
Homer	1,243	6,215	12,430
Kodiak	3,923	10,615	34,615
Nome	2,427	12,135	24,270
Palmer	1,409	7,045	14,090
Petersburg	2,126	10,630	21,260
Seward	1,823	9,115	18,230
Skagwa	675	3,375	6,750
T O T A L S :		\$ 90,235	\$175,855

<u>Municipalities Expected To Qualify After 7/1/74</u>			
Bethel	2,921	\$ 14,605	\$ 29,210
Delta Junction	703	3,515	7,030
Dillingham	999	4,995	9,990
Haines	1,093	5,465	10,930
Kotzebue	2,125	10,625	21,250
Wrangell	2,029	10,145	20,290
T O T A L S :		\$ 49,350	\$ 98,700

Note: Notices concerning refuse collection or sanitary fills were mailed to all municipalities on this page. Environmental Conservation estimated first section would qualify by 7/1/74. Second section would qualify @ some later date.

(continued on page 2-A)

(2)

Sliding Scale:

- \$10 per capita for first 3,000 of population
- \$ 5 per capita for next 9,000 of population
- \$ 3 per capita for all above 12,000 of population

CS FOR HOUSE BILL NO. 87
Fiscal Note Analysis
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Assumptions:

- 1) Borough and Municipality info received from Dept. of Environmental Conservation
- 2) Fire Service Area Population not included
- 3) City & Borough of Juneau would not qualify because their permit is only for an auto dump
- 4) Census information where marked derived in following manner:
1970 Census Atlas-Dept. of Labor Figures multiplied by % increase as shown in estimates of civilian population, Net change 1970-1973 of State of Alaska current population estimates by Census Divisions 7/1/73-Dept. of Labor.
- 5) All other FY 74 Population information derived from Revenue Sharing Figures FY 1974.

STATE OF ALASKA

WILLIAM A. EGAN, GOVERNOR

DEPT. OF ENVIRONMENTAL CONSERVATION

POUCH 0 — JUNEAU 99801

January 30, 1973

The Honorable Helen Beirne
Chairman, Health, Welfare
and Education Committee
State House of Representatives
Pouch V
Juneau, Alaska 99801

Dear Representative Beirne:

I have reviewed House Bill No. 87 in the light of our discussions and the intent of the Bill, i.e., to assist in solving the solid waste problem in Alaska.

Under the Revenue Sharing Act we find two items of interest:

- 1) Sec. 43.18.010(f). "Funds received by a city, borough or service area under this section may be expended for any public purpose for which it has power to expend public funds, except as provided in (h) of this section." The underlining is mine.

As HB No. 87 is written under this section, I do not believe that it would be necessary for a city to provide much in the way of an effective solid waste management program in order to qualify for receiving the money. Perhaps just opening or designating an abandoned gravel pit as the town's dump would be sufficient to technically qualify as a management program.

- 2) Sec. 43.18.030. Local tax levy reduction. (a) "The intent of this chapter in authorizing state aid for municipal purposes is that local governments which levy property taxes reduce those levies in reasonable proportion to the amount of state aid received by a local government for a given fiscal year." The implication is that the State will assume part of the cost of an on-going program rather than adding to an existing program or causing the initiation of a new program. Since many of the communities do not have much in the way of an existing program, the levy reduction intent would

January 30, 1973

appear to mitigate against upgrading present practices.

A third item of interest is that the Revenue Sharing portion of the statutes appear to be limited to municipalities and boroughs and thus HB No. 87 would appear not to assist in attacking the solid waste problem along the roads in the unorganized areas where it is very obvious in need of solution.

I suggest that the following change in HB No. 87 would more accurately follow your intent if the Bill remains under the Revenue Sharing chapter:

"(7) \$5 per capita to general law or home rule municipalities providing a solid waste management program which is approved by the Department of Environmental Conservation."

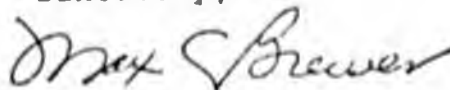
This would require an annual review of the communities' solid waste programs and provide a rough evaluation as to whether the money provided was actually being spent toward solving the solid waste problem.

A companion effort could be an increase in the funds used by the Division of Parks to provide additional solid waste collection service along the roads in the State. I believe that at least a portion of these funds are now appropriated to the Department of Highways for whom the Division of Parks accomplishes the work.

Another approach that could be considered to accomplish this task might be through a grant program to whatever unit of government was engaging in a solid waste management program or which desired to engage in such a program. This would remove the program from the Revenue Sharing chapter and more forcefully direct the effort toward the intended purpose. One danger with a grant program is that people often wish to use it for planning purposes. In the case of solid waste improvement, generally I would be far less interested in "planning" than I would be in actually "picking up" and properly "disposing of" the solid waste.

I have not reviewed these ideas with the Department of Administration to determine where in the listing of priorities such proposals for funding might fall. However, I very much appreciate your efforts in trying to solve this very difficult problem throughout the State.

Sincerely,



Max C. Brewer
Commissioner

HB

1088

STATE OF ALASKA

WILLIAM A. EGAN, GOVERNOR

DEPT. OF COMMUNITY & REGIONAL AFFAIRS

OFFICE OF THE COMMISSIONER

POUCH B — JUNEAU 99801

March 23, 1973

The Honorable Selwyn Carrol
Alaska State House of
Representatives
Pouch V
Juneau, Alaska 99801

Dear Representative Carrol:

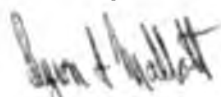
As requested by the House Committee on Community and Regional Affairs, the enclosed draft legislation has been prepared in response to my testimony on House Bill 108. The draft legislation hopefully responds to the expressed concern of the Committee. Attached to the draft is a list of communities eligible for State aid under the proposal, their populations and the total amount of State aid provided under the proposal.

Enclosed also is a list of Alaska Native villages which have been identified by the U. S. Treasury Department, with Bureau of Indian Affairs assistance, as providing "general governmental services" thereby qualifying for federal revenue sharing. The list also contains Native village populations and the amount of federal revenue sharing each has received.

For the information of your Committee, federal revenue sharing to Native villages, as opposed to municipal corporations, is distributed on the basis of population only. Payment is made to each village in a Census District, from the amount of money allocated to that Census District, based on a percentage of that village's population to the total population of the Census District. The Native village distribution is made before distributions are made to municipal corporations in the Census District. Native villages must account for funds received in the same manner as municipal corporations.

I am available at your convenience to discuss these matters.

Sincerely,


Byron I. Mallott
Commissioner

BIM:mw

Enclosure

cc: Representative Terry Gardiner
w/ attachments

An Act Providing State-Shared Revenues for Unincorporated Communities; and Providing for an Effective Date.

Section One. AS 43.18 is amended by adding a new Article to read:

ARTICLE 4

Section 43.18.400. State aid to communities not incorporated as Alaska Municipal Corporations: (a) During each fiscal year the State shall pay to unincorporated communities \$10 per capita for the purpose of encouraging communities to ascertain priorities for future community development, to plan for the provision of future local governmental services, and as a secondary purpose to provide needed community services, not inconsistent with applicable State statutes in accordance with priorities and plans developed under this section.

(b) Payment shall be made to non-profit corporations or associations organized in eligible communities certifying to the Department of Community and Regional Affairs that their membership is open to and broadly representative of all the residents of the community and certifying that their intent is to carry out the purposes of this act.

(c) State-shared revenues payable under this section may be paid for a period of three years upon annual application following date of receipt and approval of certification by the Department of Community and Regional Affairs, or until a community is incorporated as a city under the laws of the State of Alaska, whichever comes first.

(d) Funds received by the non-profit designee in an unincorporated community may be expended for any purpose for which the designee has authority to expend funds consistent with the purposes of this section.

(e) Non-profit designees receiving funds by operation of this section shall file with the Department of Community and Regional Affairs a statement of annual income and expenditures and a report generally stating the purposes for which the funds were expended. Compliance with the provisions of this section is a prerequisite to receipt of State-shared revenues under AS 43.18. The State shall withhold allocation under this chapter in the event of noncompliance until such time as the report requirements are complied with.

(f) The Department of Community and Regional Affairs shall establish standard application and reporting forms to meet requirements of this section.

(g) In this section "unincorporated community" means a community not incorporated as a city of the first or second class under the laws of the State of Alaska and having a permanent resident population of 25 or more.

(h) The Department of Community and Regional Affairs may adopt regulations to carry out the purposes of this section.

Section 43.18.410. Unincorporated communities service account established:

(a) The unincorporated communities services account is established. Funds to carry out the provisions of section 400 of this chapter may be appropriated annually by the Legislature to the account. If amounts in the account are insufficient for the purpose of each community's share authorized under section 400 of this chapter, such funds as are available shall be distributed prorata among eligible communities.

(b) Money in the unincorporated communities services account which, at the end of the fiscal year for which money is appropriated, exceeds the

amount required for the allocation authorized in this chapter reverts to the general fund.

Section Two. This act takes effect on July 1, 1973.



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