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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 was 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 that 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 ~~we could do this~~ we could do this, that ~~we could do this~~ 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 all 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 porpote 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 <sup>Slope</sup> ~~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.

# 'The whole energy industry is sick with gluttony.'

— Fred Harris

*Former U.S. Sen. Fred Harris of Oklahoma originally prepared the following attack on the power industry for the annual meeting of the Midwest Electric Consumers Association. It is reprinted in full.—Ed.*

*Omaha, Nebraska*

Some Indian tribes once used petroleum as a medicine. And, when I was young, we put kerosene — "coal oil," we called it — on cuts and scratches as a curative. We thought it had healing qualities.

Today, it's reversed. Oil is making us sick — sick with pollution, to be sure, but also sick economically. Because the whole energy industry is itself sick with gluttony. It has devoured too much of the competition, too much of the market.

In the beginning, there was competition in finding, refining and selling oil and gas. "Black gold" was a fabulous bonanza for those who found it and a gambler could hit it big. But gamblers hate odds. Improved geology reduced the risks some. But that wasn't enough.

Economic and political power did much better. Since a busy, growing nation needs rapid discovery of new oil reserves to fuel its continued growth, there ought to be special incentives for oil exploration. That was the oil industry argument. And the Congress bought it.

The oil industry was voted a special tax benefit, now worth \$2 billion a year, through the oil and gas depletion allowance. They are allowed to deduct 22 percent of their income, up to a maximum of 50 percent of profits. Until 1969 it was 27½ percent. The theory behind the subsidy to this particular kind of business is that a part of gross income from oil production is actually a return of capital. But that's just theory, because the deduction is not limited to the amount of capital investment. And it is not tied to the degree to which these special profits go back into new exploration. It's just a generous subsidy.

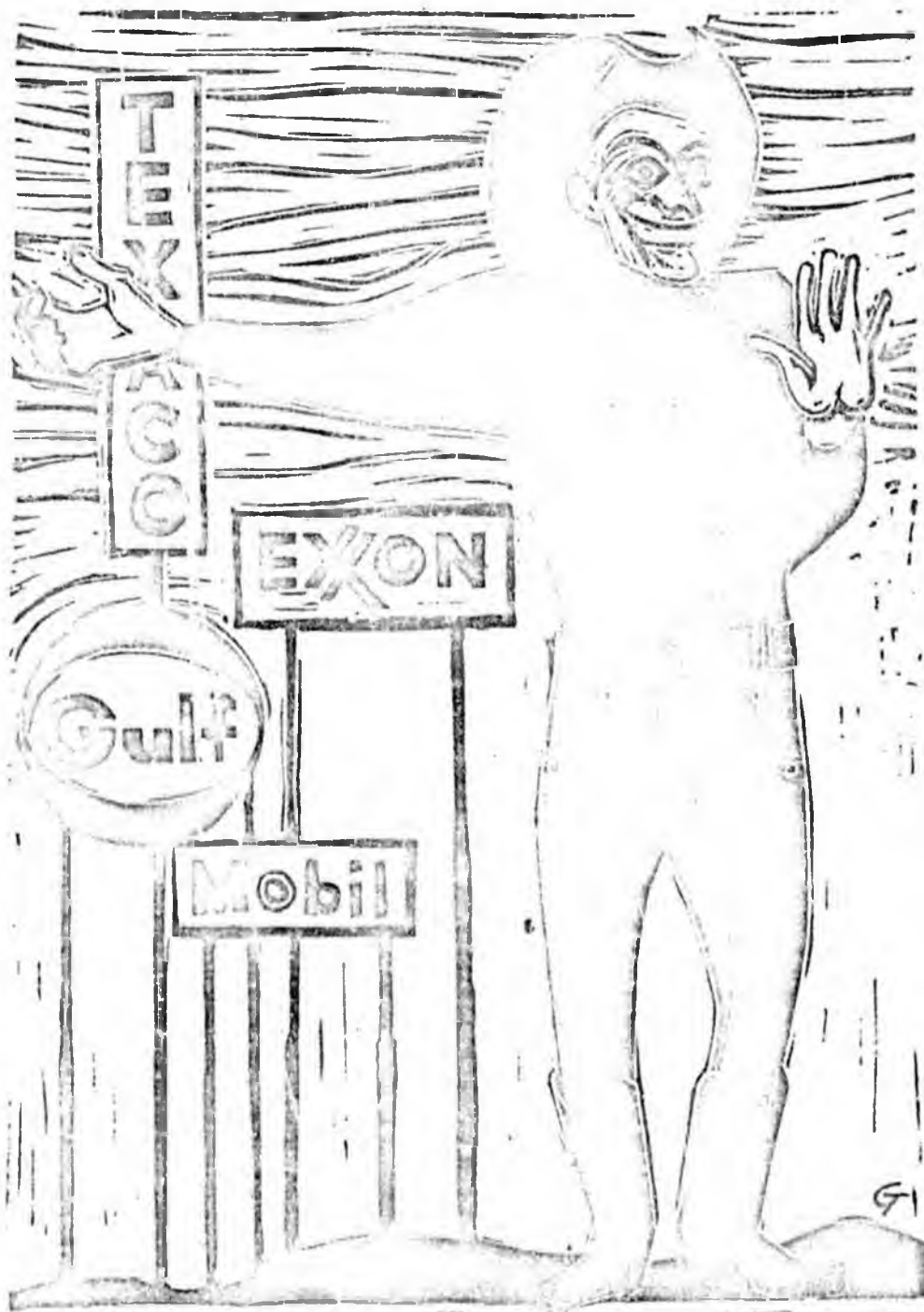
**OIL COMPANIES** are allowed another special tax advantage, too. They are allowed rapidly to write off their intangible drilling costs as expenses, rather than have them treated as capital investment. This greatly reduces income subject to tax.

Crude oil discovery and production, then, became a special kind of tax-sheltered business in the United States. And the tax shelter works in such a way as

to encourage high crude oil prices. So, if an oil company engages in both marketing and production, it is encouraged by the tax laws to run up as high a rate of profit as it can in its production division.

"But how are we going to keep crude oil prices high if there are special incentives

for everybody to get into the business?" the oil companies began to ask themselves in the 1930's. And they came up with a good noncompetitive answer: state proration. One aspect of proration has a logical base. That is, a large underground pool of oil, when discovered, may actually



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belong to a number of owners. And, unless restricted in some way, one owner can rapidly pump out the whole pool. This practice, too, can be very wasteful. In the rush by one owner to get the oil out rapidly, to the exclusion of the others, the recovery potential of the pool — the ability to produce the maximum amount of oil discovered — can be seriously diminished.

The states set up proration procedures to protect the various owners of any discovered oil pool and to insure that the best conservation techniques were used in production. But that would not stifle competition enough to suit the oil industry. So, the proration laws went a step further. The states set up procedures to determine how much crude oil could actually be sold at an established market price. Then they set a lid on any production above that, halting extra production that would tend to bring the price down.

And to prevent one state from being less restrictive than another, the oil companies got the Congress to pass federal laws to permit the states to agree among themselves on binding limits on crude oil production. And the Congress made it illegal to sell "hot oil" — that is, oil produced anywhere in excess of the proration limits — in interstate commerce.

Average citizens began to pay special tribute to the oil industry out of both pockets. Out of one pocket — the taxpayer pocket — they paid for the oil and gas depletion allowance and the intangible drilling cost write off. In 1971, the 18 largest oil companies paid only 6.7 percent of their net income in federal taxes — and average taxpayers had to make up the difference. Out of the other pocket — the consumer pocket — they paid in higher prices for the lack of price competition in crude oil production.

A gambler's odds went down. But still not enough to please the oil companies. Some companies were explorers and producers. Some were refiners. Some were marketers. That kind of system still permitted too much competition. After all, left alone, a refiner might buy from any one of several producers. A marketer might buy from several refiners. So, the oil industry began to integrate vertically in order to control the flow of oil all the way from the wellhead to the gas pump.

John D. Rockefeller had long since set the pattern by driving some of his competition out of business and buying out the rest. That is a succinct history of the oil industry. And, today, the rate of concentration is faster than ever. Companies that produce their own crude oil enjoy increased control of the market and special tax advantages. So, Union Oil Company bought Pure Oil Company. The fifteenth and sixteenth largest oil companies thus combined to form the ninth largest. And the federal government's Antitrust Division, despite

accurate warnings that this particular merger would start a new wave of additional concentration, offered no objection.

Phillips merged with Tidewater. Sun Oil, the thirteenth largest, and Sunray DX, the seventeenth largest oil company, combined. The fourteenth largest, Atlantic, bought the twenty-third largest, Richfield. In all, eight of America's largest oil

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*Six U.S.*

*companies*

*virtually control*

*the Middle Eastern*

*oil market.*

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companies disappeared after 1960 — merged with even bigger companies or bought outright.

The abuses of the Standard Oil Trust brought on the whole antitrust movement which culminated in the Sherman Antitrust Act of 1890. But the government's memory is short. And it has stood aside while oil companies have integrated from the wellhead to the market place — buying out other producers and refiners, building and buying pipelines.

With that kind of concentrated market power, domestic oil producers were able in late 1970 arbitrarily to raise the price of crude oil by 25 cents a barrel. But what about potential competition from foreign-produced oil? The oil companies, back in 1959, got the President of the United States to institute oil import quotas by executive order. President Eisenhower decreed a mechanism for limiting oil imports to protect the domestic price. The system was justified on the basis of national security.

**P**RESIDENT NIXON'S Cabinet Task Force on Oil Import Control reported in 1970 that, except for these import restrictions, the U.S. domestic wellhead price for crude oil — \$3 per barrel — would decline, over time, to the world market price of about \$2 per barrel. Despite his pronouncements against inflation, President Nixon rejected the recommendations of his own task force for abandoning the oil import quota system.

Any President, by the stroke of a pen, could end the system. But the major oil companies are even prepared for that eventuality. They've long had a world oil cartel. They've cornered production. And it goes a long way back. Jersey Standard, Royal Dutch-Shell and Anglo-Persian (which became British Petroleum) entered into a kind of treaty back in 1928, dividing up the world market and agreeing against production that might bring down the world price. Since then, the oil companies have become more devious in such violations of the antitrust laws, and the government has become, if anything, more lax in enforcement. Seven major companies — Jersey Standard, Shell, British Petroleum, Socony-Mobil, Standard of California, Gulf and Texaco — presently control almost all of the production and marketing of Middle Eastern oil. Huge oil companies are allowed to make their own international prices and their own foreign policy.

Again, average Americans pay out of both pockets. They pay out of their consumer pocket in higher fuel prices, and they pay out of their taxpayer pocket, too. Strangely enough, oil companies can deduct the U.S. depletion allowance from their *foreign* oil income, despite the fact that this provision was originally justified on the ground that it would spur the discovery of additional oil reserves in the United States.

The oil companies are also allowed to deduct from their U.S. income taxes the income tax payments they make to foreign governments. This started as a royalty, that is, a part of the business expense, not a credit against U.S. income taxes. But along the way, the oil companies found it enormously more advantageous financially to treat these foreign royalty payments, under agreements negotiated with local sheiks, as taxes. They are then not credit, not a deduction from income, but a credit against taxes that they would otherwise have to pay in the United States.

So, while we say that national security and national economic health depend upon finding and producing *domestic* oil, our policies actually give greater encouragement to foreign discovery and production. American oil companies, between 1959 and 1969, spent six times more for foreign exploration than they did for domestic exploration. International oil companies based in the United States avoid taxes on about one-half of their profits through the depletion allowance and by writing off intangible drilling costs. They avoid taxes on three-fourths of the remainder of their income through the foreign tax credit. Five international oil companies headquartered in the United States earned nearly \$30 billion between 1962 to 1968. But their total U.S. income tax payment for that entire period was only \$1.4 billion — a rate of just 4.7 percent.

The oil industry's plan is simple, and they've followed it to the letter. Secure federal subsidies by the oil and gas depletion allowance. By the write-off of intangible drilling costs. By the foreign tax credit.

Then eliminate competition. By state proration, restricting domestic production. By exclusive dealership marketing. By merging with or buying competitors. By vertically integrating. By international cartels and import quotas.

**OIL COMPANIES** have moved, too, to eliminate competition from other fuels. There is an increasing demand for natural gas, but most domestic reserves are now owned by the major oil companies, including the same ones who control international oil. And the Federal Power Commission which is supposed to regulate gas prices is largely dependent upon the oil industry for information about reserves and the proper level of prices. In the spring of 1972, the FPC took the oil industry's word - "crisis" is the word - about a shortage in natural gas reserves and, in effect, took the lid off all gas prices. Oil doesn't have to compete with gas. Both are over-priced. And owned by the same companies.

In some industries, coal is directly competitive with oil and gas. In the near future, that competition normally would be expected to increase - to the benefit of the consumer - because of new processes for converting coal into synthetic gasoline through liquification and into synthetic gas through gasification. But the oil companies have moved in here, too. Gulf bought Pittsburgh and Midway Coal. Continental, the ninth largest oil company, purchased Consolidated, the very largest coal company. In the last ten years, seven of the largest independent coal companies have been purchased by non-coal companies. Four of these purchases were by large oil companies that are also vertically integrated in the oil and gas business.

In addition, Standard Oil Company of New Jersey, Kerr-McGee, Atlantic Richfield, Shell, Sinclair and Sunray DX have bought huge coal reserves. It's against the law to buy up the competition, but these law violations continue unabated.

Demand for coal has gone up at the rate of 5 percent a year during the last two years. Production has gone up at the same rate. But coal prices have nevertheless increased an average of 70 percent. And more than doubled in some places.

In uranium it's pretty much the same. Oil companies own nearly half of all known reserves. Jersey Standard and Gulf are heavily involved in uranium and atomic energy. Kerr-McGee, by itself, owns nearly one-fourth of the total uranium milling capacity in the whole country.

The big oil companies are moving in on other new energy sources, also. They are buying up the oil shale and tar sands in the

Rocky Mountains and Canada. Underground steam looks promising as a new power source. So, a few big companies, such as Union Oil, Signal and Getty, are rapidly gaining control of it too, though much of it is under public lands in California and the West.

The 25 largest oil companies are all, also, in natural gas. Eighteen are in oil, shale and uranium. Eleven are in coal. Seven are in tar sands. Six of the ten largest oil companies are in all four major domestic fuels - oil, gas, coal and uranium.

Solving the so-called "energy crisis" will not come from more subsidies. It requires ending the subsidies - all of them: the direct subsidies and the tax subsidies. It requires ending the government-imposed restrictions on competition. It requires breaking up monopoly power. Stopping vertical integration and exclusive dealerships. Ending the international oil cartel. Deconcentrating the big oil companies and their monopolization of energy sources. It requires de-regulation. Allowing natural gas to compete with other fuels. Requiring pipelines to compete with pipelines, carrying oil and gas, as the law requires, without discrimination among customers.

That's a hard message to get across. The big oil companies spend millions of dollars in tax-deductible advertising to convince us that we are well served by the present system of huge subsidies and no competition. Mobil, for example, runs newspaper advertisements headed "A Stagnant Economy Is the Worst Kind of Pollution." Their message is that if the energy industry has to join the free enterprise system, economic growth will be killed.

Restoration of real competition in the energy industry and ending its special subsidy favors will also have important secondary effects. Among other things, the price we all pay for electricity would come down remarkably. But, there is much more wrong with the electric power industry than just the inflated costs it has to pay for fuels.

**ELECTRIC POWER** is the biggest business in America - 60 percent larger than petroleum refining, the second largest industry. Its capital assets - now \$110 billion - have doubled every ten years, a rate of growth twice as fast as the rest of the economy. It uses, for example, half of all the bituminous coal produced in America.

The electric power industry is involved in three functions - generation, transmission and distribution. Individual customers buy from a distribution system which may be privately owned, municipally owned or owned by a cooperative. Nearly 80 percent of electric power customers buy from privately-owned companies. Their combined consumer electric bill is around \$17 billion a year.

It is not a free enterprise system. The companies enjoy a "coerced" monopoly - that is, one imposed by law. You can only buy electricity from one retail company. By law, that company has no competition - the idea being that parallel lines and duplicative plants and services would be inefficient and wasteful. So, one company is given the franchise for a guaranteed, non-competitive territory.

Like governments - rather than private enterprise - electric companies have the right of eminent domain, the right to take private property with reasonable compensation. They also sell an indispensable commodity. And they have a guaranteed profit. Whatever their expenses or their capital investment - whether they're held down or allowed to run high - privately-owned electric companies receive a guaranteed rate of profit on their investment.

Who owns the private electric companies? It is hard to find out. We know who owns the municipal systems. These publicly-owned electric retailers serve 13.5 percent of the consumers. They're owned by the citizens in the municipality or power district served by the system. And each consumer is a voter. We know who owns the one thousand rural electric cooperatives that serve 7.5 percent of electric customers. Each customer of a cooperative is also an owner, and each has one vote in the cooperative's policies.

But the situation is far different for the privately-owned companies that serve nearly 80 percent of all customers. They're increasingly concentrated. Since World War II, the number of private companies has been cut in half. And merger applications are increasing swiftly. We do know that a fourth of the 200 largest privately-owned electric companies are controlled by one of 15 utility holding companies. But, both in the holding companies and in the electric companies themselves, owners use "street

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names" or "nominees" to conceal true ownership.

Stockholders' meetings are a farce. Local utility companies make a great deal of putting local bankers on their boards. In truth, more than 90 percent of the votes cast at any private electric company stockholders meeting are cast by proxies. It isn't surprising that Chase Manhattan has issued a brochure calling for solving the "power crisis" by taking the lid off electric rates.

The traditional liberal approach has been to acquiesce in this government-imposed and closely-owned monopoly system -- and then regulate. But most regulation of privately-owned electric distribution companies is under state regulatory bodies. [Texas has no such regulatory commission -- Ed.] And it doesn't work. These state commissions are notoriously under-staffed. The annual budget for all of them is no more than around \$50 million -- and their regulatory responsibilities cover everything from railroads to pipelines. Utility companies have the best lawyers and the best experts and an almost unlimited staff.

They also have the most political power. Massive political power overwhelms the regulatory bodies and makes these state agencies, uniformly, captives of those they are supposed to regulate. And the established rules for determining rates are grossly weighted in favor of the private companies and against the consumers.

The electric companies use their customers' own money, through increased electric bills, to convince the customers -- as voters in the political process -- that privately-owned electric companies are "free enterprise" and that

municipally-owned systems and rural electric cooperatives are wasteful and socialistic.

What's to be done? First, we should ask, is there a way to insure greater competition? There is, particularly in generation and transmission. One hundred different companies now generate almost all of the electricity in the country. When

duplicative and expensive generation and transmission facilities.

But most electric distribution systems are natural monopolies. And we should ask, "Why should a few huge banks and insurance companies and rich investors -- with captive consumers and captive profits -- be guaranteed by law to get richer, while the literally powerless mass of consumers

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## *The people should take over their own electric systems*

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the Justice Department filed an anti-trust suit against Tampa Electric and Florida Power to bust their agreement against competition by one company in the agreed-upon wholesale power market of the other, the municipally-owned Lartow system was able to buy power at a much lower rate. Generation companies ought to be required to compete with each other. That's the law.

And we ought to expand the number of publicly owned generation systems, now limited to two -- the Tennessee Valley Authority and Bonneville. These and cooperative-owned generation systems should be encouraged, so there'd be more of a competitive yardstick on wholesale power prices.

Generation systems should not be able to integrate vertically to control distribution markets. That practice presently allows the kind of market dominance and stifling of competition that the law was intended to prevent. Electric distribution systems should be separate and should be freely able to buy competitively from a number of electric power sources.

Electric transmission companies -- common carriers -- should be made to obey the law which now supposedly requires them to carry -- "wheeling," it's called -- the electric power of other generation and transmission systems. In 1969, the Otter Tail Power Company, a transmission company, refused to sell and transmit power to several municipally-owned utilities in Minnesota and North and South Dakota. The Federal Power Commission said it couldn't do anything about it.

Sen. Lee Metcalf of Montana took them to court. He rightly advocates that generation and transmission systems be required to interchange, pool and transmit electric power -- under a national "power grid" -- freely and without discrimination among customers. Privately-owned generation and transmission companies use every possible dodge to hold up power for municipal systems and electric cooperatives. They do the same with smaller private distribution companies, forcing them to sell out or build their own

pay more and more, and have no control?" They shouldn't.

We ought to remove the presently-impassable government barriers to increased ownership of electric distribution systems by cities, public power districts and cooperatives. State laws that bar cooperatives from owning city electric systems should be stricken down. State laws that make it difficult for cities to own their own electric systems should be repealed. In Oklahoma, for example, the power lobby was able to write into the *Constitution*, at statehood, a prohibition against a city issuing revenue bonds -- as opposed to general obligation bonds -- to purchase or build, and own, power distribution systems. Private companies can borrow on their expected revenues and utility assets -- without pledging the taxing power. Why shouldn't cities be able to do so?

If private generation and transmission systems truly had to compete with each other, as the law requires, and with an increased number of publicly-owned systems, excessive prices and excessive profits would come down immediately, and service would improve. The private companies would have to respond to the market. Consumers would benefit even more if cities and cooperatives could own more of the natural monopoly distribution systems, without having their electric power or their credit cut off.

Customers of public and cooperative electric power companies pay about one-third less for every kilowatt of power they buy than do customers of private companies. People would no longer stand for these gross over-charges by private utility companies, if they had a choice -- and if they had more ready examples, nearby and at hand, of the better service and the lower rates of comparable municipal and cooperative electric systems.

Natural market pressures would come into play. The excessive rates and excessive profits would come down. Or the people would take over their own electric systems.

Our marching order is simple. It is: "Power to the People." □

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Bound volumes of the 1972 issues of the *Texas Observer* are now ready. In maroon washable binding -- the same as in recent years -- the price is \$12.

Also available at \$12 each year are volumes for the years 1963 through 1971.

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THE TEXAS OBSERVER  
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Chapter 80. Crude Oil, Natural Gas, or Petroleum  
Products Pipeline Right-of-Way Leasing

Section

10. Administrative findings on exercise of certain powers and rights.
20. Nonfederal rights-of-way.
30. Reservation and grant of rights of condemnation and acquisition.
40. Condemnation or acquisition of interests in public land by carrier.
50. Definition of "right-of-way within the state in which the state has an ownership interest.
60. Computation of percentage rental charge.
70. Reasonable percentage rental in excess of statutory minimum.

---

11 AAC 80.010. ADMINISTRATIVE FINDINGS ON EXERCISE OF CERTAIN POWERS AND RIGHTS. (a) Upon making the findings required in paragraph (b) of this section the commissioner of natural resources may:

(1) withhold any certificate required by AS 38.35.030, 38.35.060, 38.35.160, or 38.35.170;

(2) exercise the authority conferred upon him by 38.35.040;

(3) exercise any right conferred upon the state by inclusion in a lease of the terms set forth in subsections (3), (4), (5), (6), (10) or (12) of AS 38.35.120;

(4) exercise the option to purchase, if any, granted to the state in the lease pursuant to AS 38.35.120(7);  
or

(5) exercise the power granted by AS 38.35.100 to deny an application on the ground that the proposed construction, acquisition, or operation of or transportation, service, or sale by the pipeline, or abandonment or diminution in the operation of, or transportation, service, or sale by any portion of the pipeline is not or will not be required by the present or future public interest or necessity.

(b) Prior to exercising a power described in subsection (a) of this section the commissioner shall have determined that the taking of said action, in the circumstances:

Register, 1973. NATURAL RESOURCES

(1) will promote proper state interests and goals and will have no adverse effect upon the interstate character of commercial activities which outweighs the public benefit.

(2) will not operate so as to discriminate arbitrarily in favor of one person or persons and against another or others similarly situated;

(3) will not conflict with an area of regulation pre-empted by the federal government; and

(4) will be consistent with any additional requirements set forth in the respective sections of AS 38.35.

(c) In making the determinations provided for in subsection (b) of this section, the commissioner shall investigate and consider all relevant facts, according to the procedures set forth in AS 44.62.330 - 44.62.630, and shall make findings which specify:

(1) the state interests to be advanced by the action and the degree to which they will be advanced;

(2) the nature and degree of adverse effect upon interstate commerce resulting from the action;

(3) the degree to which the action will unequally burden persons similarly situated and the justification therefore; and

(4) the nature and degree of the effect of the action upon areas of federal regulation.  
(Eff. / /73, Register )

Authority: AS 38.05.020(c)  
AS 38.35.020  
AS 38.35.190(a)  
AS 38.35.230(19)

11 AAC 80.020. NONFEDERAL RIGHTS-OF-WAY. AS 38.35.130(a)  
(1) applies only to rights-of-way, right-of-way permits, easements, leases or other interests in land necessary for the location of a pipeline and associated facilities acquired from the State of Alaska or its political subdivisions and from private parties.

(Eff. / /73, Reg. )

Authority: AS 38.05.020(c)  
AS 38.35.020  
AS 38.35.190(a)  
AS 38.35.130(a)(1)  
AS 39.35.230(19)

11 AAC 80.030. RESERVATION AND GRANT OF RIGHTS OF CONDEMNATION AND ACQUISITION. Rights to be reserved to the State of Alaska under provisions of AS 38.35.130(a)(2) include only rights which the state possessed at the time of the execution of the lease and independent of it. Rights to be granted to the state by the lessee under AS 38.35.130(a)(2) include only:

(1) rights which the lessee possesses by virtue of laws of the State of Alaska, with respect to lands not public lands of the United States, and

(2) rights which the lessee possessed with respect to public lands of the United States; provided, however, that the lease shall require the lessee to convey to the state its rights with respect to public lands of the United States upon the condition that the acquiescence of the federal agency having jurisdiction in the premises and authority to dispose of the public land affected is first obtained as to each conveyance.

(Eff. / /73, Reg. )

Authority: AS 38.05.020(c)  
AS 38.35.020  
AS 38.35.190(a)  
AS 38.35.130(a)(2)  
AS 38.35.230(19)

11 AAC 80.040. CONDEMNATION OR ACQUISITION OF INTERESTS IN PUBLIC LAND BY CARRIER. If the commissioner of natural resources delegates to the lessee the function referred to in AS 38.35.130(a)(3) the function shall not be exercised without the acquiescence of the federal agency having jurisdiction in the premises and authority to dispose of the public land affected as to each conveyance.

(Eff. / /73, Reg. )

Authority: AS 38.05.020(c)  
AC 39.35.020  
AS 38.35.190(a)  
AS 38.35.130(a)(3)  
AS 38.35.230(19)

11 AAC 80.050. DEFINITION OF "RIGHT-OF-WAY WITHIN THE STATE IN WHICH THE STATE HAS AN OWNERSHIP INTEREST. In calculating the rental to be paid under AS 38.35.140(a), "right-of-way within the state in which the state has an ownership interest," means right-of-way over land in which the state has an ownership interest prior to the execution of the lease.

(Eff. / /73, Reg. )

Authority: AS 38.05.020(c)  
AS 38.35.020  
AS 38.35.190(a)  
AS 38.35.140(a)  
AS 38.35.230(19)

11 AAC 80.060. COMPUTATION OF PERCENTAGE RENTAL CHARGE.  
(a) For the purpose of computing the annual right-of-way rental charge required under the provisions of AS 38.35.140(a)(2):

(1) "I.C.C. Accounts" means the code of accounts used by the Interstate Commerce Commission, 49 C.F.R. 1204, Revised as of January 1, 1973.

(2) "Total assets" means the product obtained by multiplying the Interstate Commerce Commission docket valuation of the pipeline by the Alaska Land Factor (defined in subsection (3) hereinbelow). If there is no Interstate Commerce Commission docket valuation of the pipeline, "total assets" means the product obtained by multiplying the Alaska Land Factor times:

(A) at the end of the first year of operation the product obtained by multiplying a going concern factor of 1.06 times the sum of

(1) gross tangible property (the sum of the values defined in I.C.C. Accounts 30, 33, 34 and 38);

(11) other assets and deferred charges (the sum of the values defined in I.C.C. Accounts 40, 42, 43 and 44); and

(111) working capital (computed by subtracting from the sum of the values defined in I.C.C. Accounts 10 through 19 the sum of the values defined in I.C.C. Accounts 50 through 58).

(b) at the end of each year subsequent to the first year the product obtained by multiplying a going concern factor of 1.06 times the value defined by subsection (a) above reduced by 2% compounded annually.

(3) "Alaska Land Factor" means the value obtained by dividing the total length of the pipeline on right-of-way within the state in which the state has an ownership interest, as defined in 11 AAC 80.050, by the total length of the pipeline.

(4) "Net earnings" means the value obtained by subtracting the rental amount computed pursuant to AS 38.35.140 (a)(1) and the rental charge computed pursuant to AS 38.35.140 (a)(2) from the product obtained by multiplying the Alaska Land Factor (defined in subsection (3) hereinabove) times the value obtained by subtracting interest expense from net carrier operating income.

(5) "Net carrier operating income" means operating revenue (the value defined in I.C.C. Account 650), minus operating expenses.

(6) "Operating expenses" means the value defined in I.C.C. Account 600 including the amortization of capitalized interest, but it shall not include the right-of-way rental charge computed under AS 38.35.140(a)(2).  
(Eff. / /73, Reg. )

Authority: AS 35.05.020(c)  
AS 35.33.020  
AS 35.38.190(a)  
AS 35.38.140

11 AAC 80.070. REASONABLE PERCENTAGE RENTAL IN EXCESS OF STATUTORY MINIMUM. (a) Except as provided in (b) of this section the commissioner may provide for a lease payment based upon a reasonable percentage annual rental under AS 38.35.140(c) which may be higher than the rental provided for under AS 38.35.140(a) provided that the net effect does not result in a total rent over the term of the lease, taken at present value, which is higher than that which would arise under AS 38.35.140(a) upon the same calculation.

(b) If the commissioner believes that a rent higher than that provided in (a) of this section is desirable and should be inserted into the lease, he shall first initiate proceedings under AS 44.62.330-630 to determine all relevant facts and whether such a rent is reasonable and proper under the circumstances.

(Eff. / /73, Reg. )

Authority: AS 38.05.020(c)  
AS 38.35.020  
AS 38.35.190(a)  
AS 38.35.140(c)  
AS 38.35.230(19)

1 IN THE HOUSE

BY FINK

2 HOUSE BILL NO. 245

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 EIGHTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act relating to oil and gas revenue; and providing  
7 for an effective date."

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

9 \* Section 1. AS 43 is amended by adding a new chapter to read:

10 CHAPTER 56. OIL AND GAS TRANSPORTATION PROPERTY TAX.

11 Sec. 43.56.010. LEVY OF TAX. (a) An annual tax of 20 mills is  
12 levied each tax year beginning January 1, 1974, on the full and true  
13 value of taxable real and tangible personal property employed in the  
14 production and transportation of unrefined oil and gas. With respect  
15 to a facility employed for part of a tax year in a manner as to render  
16 it taxable under this chapter or partly so employed for a full tax year,  
17 the value of the facility taxable under this chapter shall be propor-  
18 tionate to the employment. Property taxable under this chapter does not  
19 include property employed in the construction of facilities as distin-  
20 guished from the facilities themselves; however, with respect to  
21 pipelines and other facilities taxable under this chapter which may be  
22 under construction or awaiting construction, full and true value for  
23 each tax year shall be measured by the costs incurred or accrued with  
24 respect to the facility as of the assessment date.

25 (b) Local governmental units may levy a tax not to exceed 20 mills  
26 on not more than 25 per cent of the full and true value of taxable real  
27 and tangible personal property employed in the production and trans-  
28 portation of unrefined oil and gas. Payment of the tax levied under  
29 this subsection is in lieu of the appropriate portion of the tax levied

1 by the state under (a) of this section.

2 Sec. 43.56.020. EXEMPTIONS. In addition to property excluded  
3 under sec. 130(2) of this chapter, the following property is exempt  
4 from the tax levied under this chapter:

5 (1) producing oil or gas leases;

6 (2) oil and gas produced in the state upon which gross  
7 production taxes are paid under AS 43.55.

8 Sec. 43.56.030. IN PLACE OF OTHER TAXES. Payment of the tax  
9 levied under this chapter is in place of all ad valorem taxes on  
10 property subject to tax under this chapter now or hereafter imposed by  
11 the state, or by a city or a borough.

12 Sec. 43.56.040. ASSESSMENT. Assessment of property subject to the  
13 tax levied under this chapter shall be carried out by the state assessor  
14 substantially in the manner provided in AS 29.53.060 - 29.53.160 for  
15 municipalities, except that the state assessor shall function in place  
16 of the local assessor, and the State Assessment Review Board shall  
17 function in the place of the assembly or council sitting as a board of  
18 equalization.

19 Sec. 43.56.050. STATE ASSESSMENT REVIEW BOARD. The governor shall  
20 appoint at least five qualified persons to serve at his pleasure as  
21 the State Assessment Review Board.

22 Sec. 43.56.060. PER DIEM AND EXPENSES. Members of the State  
23 Assessment Review Board shall be compensated and are entitled to per  
24 diem and expenses authorized by law for boards and commissions.

25 Sec. 43.56.070. POWERS AND DUTIES. The State Assessment Review  
26 Board has the powers and duties with respect to assessment of property  
27 taxable under this chapter of an assembly or council sitting as a  
28 board of equalization.

AGO 533383

29 Sec. 43.56.030. COLLECTION AND ENFORCEMENT. The tax levied in

1 this chapter is payable in full to the Department of Revenue on  
2 September 30 of the tax year, except that, the Department of Revenue  
3 may by regulation provide for prepayment of taxes and payment by  
4 installments. A penalty of ten per cent shall be added to delinquent  
5 taxes and interest at the rate of eight per cent per annum, or four  
6 percentage points above the per annum rate charged member banks for  
7 advances by the 12th Federal Reserve District that prevailed on the  
8 first day of the month preceding the commencement of that calendar  
9 quarter, whichever is greater, shall accrue on all unpaid taxes,  
10 excluding penalties, from the due date until paid in full. Collection  
11 of the tax levied under this chapter shall be carried out by the  
12 Department of Revenue substantially in the manner provided in AS  
13 29.53.200 - 29.53.390 except that the state is substituted for ref-  
14 erences to cities and boroughs.

15 Sec. 43.56.090. LIEN FOR TAX. Notwithstanding any other provision  
16 of law, the tax levied under this chapter and interest and penalty set  
17 out in sec. 80 of this chapter are liens upon the property subject to  
18 tax under this chapter. The liens provided by this section are prior  
19 and paramount to all other liens or encumbrances upon the same property.

20 Sec. 43.56.100. FAILURE TO FILE: FALSE STATEMENT. A person who  
21 knowingly fails to file a return when due or makes a false statement  
22 in a return required under this chapter with intent to evade the  
23 taxation is guilty of a felony and upon conviction is punishable by a  
24 fine of not more than \$5,000, or by imprisonment for not more than  
25 five years, or by both, together with the costs of prosecution.

26 Sec. 43.56.110. DEPOSIT IN GENERAL FUND. The revenue from the  
27 tax levied under this chapter shall be deposited in the general fund.

28 Sec. 43.56.120. REGULATIONS. The state assessor and the Depart-  
29 ment of Revenue may adopt regulations as appropriate to carry out their

1        respective duties under this chapter.

2            Sec. 43.56.120. DEFINITIONS. In this chapter

3            (1) "tax levying jurisdiction" means an organized borough or  
4        a city levying ad valorem taxes whether located inside or outside an  
5        organized borough;

6            (2) "taxable real and tangible personal property" means  
7        machinery, appliances and equipment used in the operation of wells  
8        producing oil or gas and tank farms, tanker terminals, gathering and  
9        transmission lines, and related facilities associated with the pro-  
10        duction and transportation of crude oil and natural gas; the term  
11        includes otherwise taxable property exempted from taxation under home  
12        rule ordinance or charter, but does not include property exempt from  
13        taxation under the constitution and laws of the state or of the United  
14        States, or any subsurface estate or property used in a consumer dis-  
15        tribution system.

16 \* Sec. 2. AS 38.35.140 is repealed and re-enacted to read:

17            Sec. 38.35.140. PAYMENT OF RENTAL. (a) The carrier shall agree  
18        in the lease, as a condition of obtaining the lease of state public  
19        land for pipeline right-of-way, that it will pay annually to the state  
20        as rent for the premises demised an amount determined in accordance  
21        with the provisions of AS 38.05.330 for the lease of state public land  
22        for easements and rights-of-way.

23            (b) Each lease of state public land for pipeline right-of-way  
24        shall provide that all money and other sums which become due to the  
25        state by reason of any provision of the lease is and shall always be  
26        a valid and first lien upon the buildings and improvements on the  
27        demised property, and upon all of the interests of the lessee carrier  
28        in the lease and in the property of the carrier transported by the  
29        pipeline subject to the lease and paramount to any mortgage which the

1 carrier may execute on them, or any lien caused by the carrier.

2 \* Sec. 3. This Act takes effect on the day after its passage and approval  
3 or on the day it becomes law without approval.  
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House Bill 59  
 Revenue Projections 1974 - 1983  
 Assuming Construction Starts July 1, 1973  
 (\$000 Omitted)

	FY 1974	FY 1975	FY 1976	FY 1977	FY 1978	FY 1979	FY 1980	FY 1981	FY 1982	FY 1983
ty Tax Collection Under HB 59	\$22055.9	\$40853.1	\$59947.6	\$69211.1	\$70000.0	\$70000.0	\$70000.0	\$70000.0	\$70000.0	\$70000.0
Shared to Local Governments (see below)	1653.8	3063.1	4494.8	5189.2	5248.4	5248.4	5248.4	5248.4	5248.4	5248.4
venues to State Treasury	<u>\$20402.1</u>	<u>\$37790.0</u>	<u>\$55452.8</u>	<u>\$64021.9</u>	<u>\$64751.6</u>	<u>\$64751.6</u>	<u>\$64751.6</u>	<u>\$64751.6</u>	<u>\$64751.6</u>	<u>\$64751.6</u>
Governments' Share of Property Tax:										
Slope Borough	\$ 734.7	\$ 1360.8	\$ 1996.8	\$ 2305.3	\$ 2331.6	\$ 2331.6	\$ 2331.6	\$ 2331.6	\$ 2331.6	\$ 2331.6
Star Borough	267.6	495.6	727.3	839.6	849.2	849.2	849.2	849.2	849.2	849.2
F Valdez	651.5	1206.7	1770.7	2044.3	2067.6	2067.6	2067.6	2067.6	2067.6	2067.6
Shared Revenues	<u>\$ 1653.8</u>	<u>\$ 3063.1</u>	<u>\$ 4494.8</u>	<u>\$ 5189.2</u>	<u>\$ 5248.4</u>	<u>\$ 5248.4</u>	<u>\$ 5248.4</u>	<u>\$ 5248.4</u>	<u>\$ 5248.4</u>	<u>\$ 5248.4</u>

STATE OF ALASKA

Department of Revenue

Budget Projections and Resulting Effect  
on the General Fund Balance  
for the Next Ten Fiscal Years

All revenue estimates, estimated expenditures and other assumptions not listed as "comments" or "assumptions" on the Budget Planning Model detail pages are taken from the Budget Document Supplement, Alaska, Fiscal Year 1973-74.

STATE OF ALAS A  
REVENUE

BUDGET PLANNING MODEL

FEBRUARY 3, 1975

PIPELINE CONSTRUCTION BEGINS IN FY 1974  
OIL FLOWS IN FY 1977  
NIGHT-OF-WAY LEASING 4%  
TAX PACKAGE INCLUDED

- ASSUMPTIONS
- ANNUAL RATE OF INTEREST ON GENERAL FUND = 7.00%
  - ANNUAL RATE OF INTEREST ON NEW BONDS = 6.00%
  - MATURITY PERIOD ON NEW BONDS IN YEARS = 20.
  - % OF CURRENT YR EXPEND. IN G.F. CASH BAL = 20.00%
  - ANN OPER EXPEND GROWTH RATE AFTER 1ST YR = 7.00%

YR	INVESTMENT INTEREST	TOTAL REVENUE	OPERATING EXPENDITURE	DEBT SERVICE	MISC EXP AND TAXES OF CAP EX	TOTAL EXPENDITURE	SURPLUS OR DEFICIT	GENERAL FUND END OF YEAR
								042038.0
1974	48194.4	235445.4	318000.0	20441.0	12105.0	357500.0	-121654.6	520033.4
1975	33000.0	241000.0	340072.5	30000.0	12821.0	383793.5	-101800.9	358170.0
1976	13001.0	246078.3	304840.2	33200.0	13105.0	411205.2	-136526.9	102040.0
1977	3021.3	345405.4	350378.7	40000.0	28520.0	458898.7	-715492.9	49150.7
1978	3817.4	510370.4	417704.8	45500.0	45070.0	508280.8	3095.6	57052.3
1979	6753.4	541775.4	440944.0	52100.0	45001.0	547350.0	-2090.6	54002.6
1980	6800.4	500077.4	470220.3	55300.0	47404.0	581023.3	-15045.9	38040.0
1981	5275.3	500064.3	511705.2	58200.0	40500.0	610505.2	-40390.9	-10444.2
1982	1004.4	570790.4	547525.0	61000.0	50727.0	659050.9	-82052.5	-93290.7
1983	-4401.2	570033.0	585050.4	60000.0	51000.0	704050.4	-127010.0	-120013.3
1984	13042.7	4304530.0	4402012.0	400141.0	355157.0	5227730.0	-883491.3	

STATE OF ALASKA  
REVENUE

BUDGET PLANNING MODEL

1973-74

FEBRUARY 6, 1973

PIPELINE CONSTRUCTION BEGINS IN FY 1974  
OIL PLANS IN FY 1977  
RIGHT-OF-WAY LEASING 40  
TAX PACKAGE INCLUDED  
PROPERTY TAX INCLUDED

ASSUMPTIONS

ANNUAL RATE OF INTEREST ON GENERAL FUND = 7.9%

ANNUAL RATE OF INTEREST ON NEW BONDS = 6.00%

MATURITY PERIOD ON NEW BONDS IN YEARS = 20:

% OF CURRENT YR EXPEND. IN G.F. CASH BAL = 20.00%

ANN OPER EXPEND GROWTH RATE AFTER 1ST YR = 8.00%

GENERAL FUND REVENUE	INVESTMENT INTEREST	TOTAL REVENUE	OPERATING EXPENDITURE	DEBT SERVICE	MISC EXP AND TAXES OF CAP EX	TOTAL EXPENDITURE	SURPLUS OR DEFICIT	GENERAL FUND END OF YEAR
<b>AGO 533390</b>								642038.0
200739.4	40034.4	240773.8	318000.0	20441.0	12109.0	350550.0	-109776.2	532261.8
229513.0	50044.0	279557.0	344100.0	30800.0	12821.0	387721.0	-108164.0	424097.8
258200.0	29700.0	287900.0	371001.7	35200.0	13100.0	419301.7	-131401.7	292696.1
286800.0	10441.1	297241.1	401420.0	40000.0	20520.0	461940.0	-164698.9	127997.2
315411.0	11000.0	326411.0	433540.0	45000.0	45070.0	523510.0	-197099.0	8287.2
344000.0	25000.0	369000.0	466700.0	52100.0	49091.0	567891.0	-200891.0	-131891.0
372600.0	20700.0	393300.0	500000.0	55000.0	47000.0	602000.0	-208700.0	-338700.0
401200.0	2727.1	403927.1	533300.0	58000.0	40400.0	631700.0	-227772.9	-566472.9
429800.0	20177.4	450000.0	566600.0	61000.0	5077.0	633677.0	-183677.0	-750154.0
458400.0	21000.0	479400.0	600000.0	60000.0	51700.0	661700.0	-182300.0	-932454.0
487000.0	27000.0	514000.0	633300.0	63000.0	5000.0	697300.0	-183300.0	-1115754.0

STATE OF ALASKA  
REVENUE

BUDGET PLANNING MODEL

AG 533

FEBRUARY 3, 1973

PIPELINE CONSTRUCTION BEGINS IN FY 1974  
OIL PLANS IN FY 1977  
RIGHT-OF-WAY LEASING 40  
TAX PACKAGE INCLUDED  
PROPERTY TAX INCLUDED

ASSUMPTIONS  
ANNUAL RATE OF INTEREST ON GENERAL FUND = 7.00%  
ANNUAL RATE OF INTEREST ON NEW BONDS = 6.00%  
MATURITY PERIOD ON NEW BONDS IN YEARS = 20.  
% OF CURRENT YR EXPEND. IN G.F. CASH BAL = 20.00%  
ANN OPER EXPEND GROWTH RATE AFTER 1ST YR = 10.00%

NEW INVESTMENT REVENUE	INVESTMENT INTEREST	TOTAL REVENUE	OPERATING EXPENDITURE	DEBT SERVICE	MISC EXP AND TAXES OF CAP EX	TOTAL EXPENDITURE	SURPLUS OR DEFICIT	GENERAL FUND END OF YEAR
<b>AGO 533391</b>								042033.0
20300.0	4000.4	20700.4	31000.0	20441.0	12193.0	35730.0	-10029.6	942125.4
22500.0	5000.1	22500.1	35000.0	30000.0	12021.0	39550.0	-13050.0	411191.1
25000.0	5000.0	25000.0	38000.0	33200.0	13100.0	43100.0	-15072.1	294400.4
28000.0	5600.2	28000.2	42000.0	36000.0	13500.0	46200.0	-7500.0	178000.0
30000.0	6000.1	30000.1	45000.0	38000.0	14000.0	49000.0	3400.0	213000.0
33000.0	6600.1	33000.1	48000.0	40000.0	14500.0	51000.0	5000.0	210000.0
35000.0	7000.4	35000.4	50000.0	42000.0	15000.0	53000.0	-2500.0	181400.4
38000.0	7600.5	38000.5	53000.0	44000.0	15500.0	55000.0	-3500.0	109400.0
40000.0	8000.2	40000.2	55000.0	46000.0	16000.0	57000.0	-3000.0	100000.0
42000.0	8400.1	42000.1	57000.0	48000.0	16500.0	59000.0	-2000.0	100000.0
45000.0	9000.1	45000.1	60000.0	50000.0	17000.0	61000.0	-1000.0	100000.0
48000.0	9600.2	48000.2	63000.0	52000.0	17500.0	63000.0	0.0	100000.0
50000.0	10000.0	50000.0	65000.0	54000.0	18000.0	65000.0	0.0	100000.0
52000.0	10400.1	52000.1	67000.0	56000.0	18500.0	67000.0	0.0	100000.0
55000.0	11000.1	55000.1	70000.0	58000.0	19000.0	69000.0	0.0	100000.0
58000.0	11600.2	58000.2	73000.0	60000.0	19500.0	71000.0	0.0	100000.0
60000.0	12000.0	60000.0	75000.0	62000.0	20000.0	73000.0	0.0	100000.0
62000.0	12400.1	62000.1	77000.0	64000.0	20500.0	75000.0	0.0	100000.0
65000.0	13000.1	65000.1	80000.0	66000.0	21000.0	77000.0	0.0	100000.0
68000.0	13600.2	68000.2	83000.0	68000.0	21500.0	79000.0	0.0	100000.0
70000.0	14000.0	70000.0	85000.0	70000.0	22000.0	81000.0	0.0	100000.0
72000.0	14400.1	72000.1	87000.0	72000.0	22500.0	83000.0	0.0	100000.0
75000.0	15000.1	75000.1	90000.0	74000.0	23000.0	85000.0	0.0	100000.0
78000.0	15600.2	78000.2	93000.0	76000.0	23500.0	87000.0	0.0	100000.0
80000.0	16000.0	80000.0	95000.0	78000.0	24000.0	89000.0	0.0	100000.0
82000.0	16400.1	82000.1	97000.0	80000.0	24500.0	91000.0	0.0	100000.0
85000.0	17000.1	85000.1	100000.0	82000.0	25000.0	93000.0	0.0	100000.0
88000.0	17600.2	88000.2	103000.0	84000.0	25500.0	95000.0	0.0	100000.0
90000.0	18000.0	90000.0	105000.0	86000.0	26000.0	97000.0	0.0	100000.0
92000.0	18400.1	92000.1	107000.0	88000.0	26500.0	99000.0	0.0	100000.0
95000.0	19000.1	95000.1	110000.0	90000.0	27000.0	101000.0	0.0	100000.0
98000.0	19600.2	98000.2	113000.0	92000.0	27500.0	103000.0	0.0	100000.0
100000.0	20000.0	100000.0	115000.0	94000.0	28000.0	105000.0	0.0	100000.0
102000.0	20400.1	102000.1	117000.0	96000.0	28500.0	107000.0	0.0	100000.0
105000.0	21000.1	105000.1	120000.0	98000.0	29000.0	109000.0	0.0	100000.0
108000.0	21600.2	108000.2	123000.0	100000.0	29500.0	111000.0	0.0	100000.0
110000.0	22000.0	110000.0	125000.0	102000.0	30000.0	113000.0	0.0	100000.0
112000.0	22400.1	112000.1	127000.0	104000.0	30500.0	115000.0	0.0	100000.0
115000.0	23000.1	115000.1	130000.0	106000.0	31000.0	117000.0	0.0	100000.0
118000.0	23600.2	118000.2	133000.0	108000.0	31500.0	119000.0	0.0	100000.0
120000.0	24000.0	120000.0	135000.0	110000.0	32000.0	121000.0	0.0	100000.0
122000.0	24400.1	122000.1	137000.0	112000.0	32500.0	123000.0	0.0	100000.0
125000.0	25000.1	125000.1	140000.0	114000.0	33000.0	125000.0	0.0	100000.0
128000.0	25600.2	128000.2	143000.0	116000.0	33500.0	127000.0	0.0	100000.0
130000.0	26000.0	130000.0	145000.0	118000.0	34000.0	129000.0	0.0	100000.0
132000.0	26400.1	132000.1	147000.0	120000.0	34500.0	131000.0	0.0	100000.0
135000.0	27000.1	135000.1	150000.0	122000.0	35000.0	133000.0	0.0	100000.0
138000.0	27600.2	138000.2	153000.0	124000.0	35500.0	135000.0	0.0	100000.0
140000.0	28000.0	140000.0	155000.0	126000.0	36000.0	137000.0	0.0	100000.0
142000.0	28400.1	142000.1	157000.0	128000.0	36500.0	139000.0	0.0	100000.0
145000.0	29000.1	145000.1	160000.0	130000.0	37000.0	141000.0	0.0	100000.0
148000.0	29600.2	148000.2	163000.0	132000.0	37500.0	143000.0	0.0	100000.0
150000.0	30000.0	150000.0	165000.0	134000.0	38000.0	145000.0	0.0	100000.0
152000.0	30400.1	152000.1	167000.0	136000.0	38500.0	147000.0	0.0	100000.0
155000.0	31000.1	155000.1	170000.0	138000.0	39000.0	149000.0	0.0	100000.0
158000.0	31600.2	158000.2	173000.0	140000.0	39500.0	151000.0	0.0	100000.0
160000.0	32000.0	160000.0	175000.0	142000.0	40000.0	153000.0	0.0	100000.0
162000.0	32400.1	162000.1	177000.0	144000.0	40500.0	155000.0	0.0	100000.0
165000.0	33000.1	165000.1	180000.0	146000.0	41000.0	157000.0	0.0	100000.0
168000.0	33600.2	168000.2	183000.0	148000.0	41500.0	159000.0	0.0	100000.0
170000.0	34000.0	170000.0	185000.0	150000.0	42000.0	161000.0	0.0	100000.0
172000.0	34400.1	172000.1	187000.0	152000.0	42500.0	163000.0	0.0	100000.0
175000.0	35000.1	175000.1	190000.0	154000.0	43000.0	165000.0	0.0	100000.0
178000.0	35600.2	178000.2	193000.0	156000.0	43500.0	167000.0	0.0	100000.0
180000.0	36000.0	180000.0	195000.0	158000.0	44000.0	169000.0	0.0	100000.0
182000.0	36400.1	182000.1	197000.0	160000.0	44500.0	171000.0	0.0	100000.0
185000.0	37000.1	185000.1	200000.0	162000.0	45000.0	173000.0	0.0	100000.0
188000.0	37600.2	188000.2	203000.0	164000.0	45500.0	175000.0	0.0	100000.0
190000.0	38000.0	190000.0	205000.0	166000.0	46000.0	177000.0	0.0	100000.0
192000.0	38400.1	192000.1	207000.0	168000.0	46500.0	179000.0	0.0	100000.0
195000.0	39000.1	195000.1	210000.0	170000.0	47000.0	181000.0	0.0	100000.0
198000.0	39600.2	198000.2	213000.0	172000.0	47500.0	183000.0	0.0	100000.0
200000.0	40000.0	200000.0	215000.0	174000.0	48000.0	185000.0	0.0	100000.0
202000.0	40400.1	202000.1	217000.0	176000.0	48500.0	187000.0	0.0	100000.0
205000.0	41000.1	205000.1	220000.0	178000.0	49000.0	189000.0	0.0	100000.0
208000.0	41600.2	208000.2	223000.0	180000.0	49500.0	191000.0	0.0	100000.0
210000.0	42000.0	210000.0	225000.0	182000.0	50000.0	193000.0	0.0	100000.0
212000.0	42400.1	212000.1	227000.0	184000.0	50500.0	195000.0	0.0	100000.0
215000.0	43000.1	215000.1	230000.0	186000.0	51000.0	197000.0	0.0	100000.0
218000.0	43600.2	218000.2	233000.0	188000.0	51500.0	199000.0	0.0	100000.0
220000.0	44000.0	220000.0	235000.0	190000.0	52000.0	201000.0	0.0	100000.0
222000.0	44400.1	222000.1	237000.0	192000.0	52500.0	203000.0	0.0	100000.0
225000.0	45000.1	225000.1	240000.0	194000.0	53000.0	205000.0	0.0	100000.0
228000.0	45600.2	228000.2	243000.0	196000.0	53500.0	207000.0	0.0	100000.0
230000.0	46000.0	230000.0	245000.0	198000.0	54000.0	209000.0	0.0	100000.0
232000.0	46400.1	232000.1	247000.0	200000.0	54500.0	211000.0	0.0	100000.0
235000.0	47000.1	235000.1	250000.0	202000.0	55000.0	213000.0	0.0	100000.0
238000.0	47600.2	238000.2	253000.0	204000.0	55500.0	215000.0	0.0	100000.0
240000.0	48000.0	240000.0	255000.0	206000.0	56000.0	217000.0	0.0	100000.0
242000.0	48400.1	242000.1	257000.0	208000.0	56500.0	219000.0	0.0	100000.0
245000.0	49000.1	245000.1	260000.0	210000.0	57000.0	221000.0	0.0	100000.0
248000.0	49600.2	248000.2	263000.0	212000.0	57500.0	223000.0	0.0	100000.0
250000.0	50000.0	250000.0	265000.0	214000.0	58000.0	225000.0	0.0	100000.0
252000.0	50400.1	252000.1	267000.0	216000.0	58500.0	227000.0	0.0	100000.0
255000.0	51000.1							

STATE OF ALASKA  
REVENUE

BUDGET PLANNING MODEL

RUN TO RUN 40  
DATE FEBRUARY 6, 1975

COMMENTS  
PIPELINE CONSTRUCTION BEGINS IN FY 1975  
OIL FLOWS IN FY 1976  
LIGHT-OF-WAY LEASING 40  
TAX PACKAGE INCLUDED  
PROPERTY TAX INCLUDED

ASSUMPTIONS  
ANNUAL RATE OF INTEREST ON GENERAL FUND = 7.00%  
ANNUAL RATE OF INTEREST ON NEW BONDS = 0.00%  
MATURITY PERIOD ON NEW BONDS IN YEARS = 20.  
% OF CURRENT YR EXPEND. IN G.F. CASH BAL = 20.00%  
ANN OPER EXPEND GROWTH RATE AFTER 1ST YR = 5.00%

FISCAL YEAR	NON INVESTMENT REVENUE	INVESTMENT INTEREST	TOTAL REVENUE	OPERATING EXPENDITURE	DEBT SERVICE	HISS EXP AND TAXES OF CAP EX	TOTAL EXPENDITURE	SURPLUS OR DEFICIT	GENERAL FUND END OF YEAR
1975									642038.0
1976	185000.0	40022.0	251886.0	318000.0	20441.0	12195.0	357300.0	-125413.1	517224.9
1977	182510.0	38275.0	257186.0	334599.0	30000.0	12321.0	377420.0	-140231.4	376993.4
1978	232000.0	22704.0	295753.0	351528.6	33200.0	13105.0	397603.6	-141940.6	235952.8
1979	290511.0	11000.1	267894.1	362894.6	40000.0	28320.0	437414.6	-169520.4	65532.4
1980	400000.0	3502.0	403497.0	367535.1	45000.0	45070.0	477015.1	-68478.1	-2945.7
1981	500000.0	4000.2	504000.2	400705.0	52100.0	45041.0	504406.0	32700.0	79020.0
1982	550000.0	11000.0	561000.0	427040.4	55000.0	47000.0	529040.4	31959.6	107990.0
1983	550000.0	17000.0	567000.0	440000.0	50000.0	40000.0	530000.0	37000.0	261013.0
1984	550000.0	15000.0	565000.0	470000.0	60000.0	50000.0	580000.0	75000.0	337371.0
1985	550000.0	17000.0	567000.0	480000.0	60000.0	50000.0	590000.0	70000.0	400000.0
	400000.0	10000.0	410000.0	400000.0	40000.0	35000.0	475000.0	-242521.1	

STATE OF ALASKA  
REVENUE

BUDGET PLANNING MODEL

1975

JANUARY 1975

PIPELINE CONSTRUCTION BEGINS IN FY 1975  
PIPELINE IN FY 1978  
LIGHT-TRUCK LEASING 40  
THE BALANCE INCLUDED  
PROPERTY TAX INCLUDED

ASSUMPTIONS  
ANNUAL RATE OF INTEREST ON GENERAL FUND = 7.00%  
ANNUAL RATE OF INTEREST ON NEW BONDS = 6.00%  
MATURITY PERIOD OF NEW BONDS IN YEARS = 20.  
% OF CURRENT YR EXPEND. IN G.F. CASH BAL = 20.00%  
ANN OPEN EXPEND GROWTH RATE AFTER 1ST YR = 7.00%

1975 GENERAL FUND REVENUE	INVESTMENT INTEREST	TOTAL REVENUE	OPERATING EXPENDITURE	DEBT SERVICE	MISC EXP OF CAP EX AND TAXES	TOTAL EXPENDITURE	SURPLUS OR DEFICIT	GENERAL FUND END OF YEAR
								-642630.0
100000.0	40021.3	251067.9	310000.0	20641.0	12195.0	357396.0	-129415.1	517224.9
102515.0	34130.0	237649.9	340672.5	30000.0	12821.0	383793.5	-146743.6	370401.3
102750.0	22044.1	255005.1	304040.2	35200.0	15105.0	411205.2	-156202.1	214279.1
100011.0	3433.4	200004.3	300570.7	40000.0	20520.0	456890.7	-192694.4	21384.8
110000.0	-227.0	405817.4	417704.0	45500.0	45070.0	508280.0	-102463.4	-81070.7
100000.0	-1371.2	501250.0	440544.0	52100.0	45091.0	544735.0	-36521.3	-44550.0
100000.0	2190.0	100000.0	478220.5	55300.0	47404.0	581024.5	17020.0	-10730.5
100000.0	4700.0	655040.0	511705.2	50200.0	40450.0	612355.2	10003.8	-50.5
100000.0	5735.0	441027.0	547523.0	61000.0	50727.0	659250.0	-18223.3	-18250.0
100000.0	4277.0	352120.0	505050.4	60000.0	51700.0	704350.4	-52220.0	-70400.0
450700.0	127000.0	4514002.0	4402812.0	33141.0	355037.0	5227709.0	-713127.4	

AGO 533393

Right-of-Way Leasing Act  
(Millions of Dollars)

	<u>Year of TAPS Pipeline</u> <u>Operation</u>				<u>Average</u> <u>35</u> <u>Years</u>
	<u>1st</u>	<u>5th</u>	<u>10th</u>	<u>20th</u>	
At 4% ICC Return	2.1	2.1	4.5	21.5	15.4
At 5% ICC Return	3.4	6.2	13.7	30.1	22.7
At 7% ICC Return	25.1	29.1	34.6	47.1	40.0

At a 4% ICC rate of return North Slope oil corporations will maximize their total profits. This ICC return rate and the concurrent revenues to the State are the most likely case.

INCREASE REVENUES DUE  
TO TAX INCREASE PROPOSALS

<u>Receipt Title</u>	<u>FY 1974</u>	<u>FY 1975</u>	<u>FY 1976</u>	<u>FY 1977</u>	<u>FY 1978</u>	<u>FY 1979</u>	<u>FY 1980</u>	<u>FY 1981</u>	<u>FY 1982</u>	<u>FY 1983</u>
Cigarette Tax Increase (From to 13¢ per pack)	\$2,412,000	\$2,539,250	\$2,793,125	\$2,904,875	\$3,023,563	\$3,200,139	\$3,387,027	\$3,584,829	\$3,794,183	\$4,015,763
License Tax Increase (From 2% of net income)	440,000	480,000	520,000	560,000	600,000	648,360	700,618	757,088	818,109	884,048
Highway Fuel Tax Increase (From 8¢ to 10¢ per gallon with refund for off- highway use out of 10¢ gallon.)	2,655,300	2,857,250	2,892,700	3,002,700	3,155,300	3,295,080	3,441,052	3,593,490	3,752,682	3,913,926
Aircraft Fuel Tax	<u>541,500</u>	<u>563,150</u>	<u>585,650</u>	<u>609,100</u>	<u>633,450</u>	<u>658,788</u>	<u>685,140</u>	<u>712,545</u>	<u>741,047</u>	<u>770,689</u>
Sub-Total	<u>\$6,048,800</u>	<u>\$6,439,650</u>	<u>\$6,791,475</u>	<u>\$7,076,675</u>	<u>\$7,412,313</u>	<u>\$7,802,367</u>	<u>\$8,213,837</u>	<u>\$8,647,952</u>	<u>\$9,106,021</u>	<u>\$9,589,426</u>

2/27/73

H.B. - 59 - 245 -

public hearing

El. Blue - Study - notes -

first two pages -

22 of 50<sup>states</sup> of 20 mill state workers

last week  
specimen -

45 million  
Kern 200 million

Bill Johnson - case -

Field - Kern Budget

one - Budget Part - 2-15

Make Budget - part -



JUNEAU ALASKA

Alaska State Legislature  
House

HOUSE RESOURCES

Joe McGill, Chairman

Hartig, Vice-Chairman

Wilson

Laktonen

J. Miller

Eliason

Randolph

Huber

Naughton

Gardiner

Parker

Guy

Degnan

Bob Christensen  
Administrative Ass't.

Diann L. Nelson  
Staff Assistant

PRESS RELEASE

HOUSE RESOURCES COMMITTEE

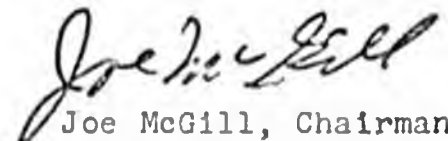
Public Hearing

A public hearing by the House Resources Committee on House Bill #59.

"An Act providing for a state tax on property used in connection with transportation of unrefined oil and gas."

The hearing to be held in the House Conference Room, Tuesday, February 20, 1973 at 3:30 P.M.

The public is invited and urged to attend. Further information concerning House Bill #59 or the public hearing may be obtained from Representative Joe McGill, Chairman House Resources Committee, Pouch V, Juneau, Alaska 99801

  
Joe McGill, Chairman  
House Resources Committee

MEMBERSHIP  
EIGHTH STATE LEGISLATURE

1973 - 1974

House of Representatives

<u>Name</u>	<u>Address</u>	<u>District</u>
Banfield, Mildred H. (R)	320 Whittier St., Juneau 99801	4
Barber, Edward G. (D)	1001 L St., Anchorage 99501	7
Beirne, Helen D. (R)	Box 4BB, Spenard 99503	10
Bowman, Willard L. (D)	1112 E 69th Ave., Anchorage 99502	10
Bradner, Mike (D)	915 Kellum St., Fairbanks 99701	17
Carrol, Selwyn (R)	425 "B" St., Fairbanks 99701	17
Chance, Genie (D)	Box 2392, Anchorage 99510	7
Degnan, Chuck (D)	Box 187, Unalakleet 99684	20
Eliason, Richard I. (R)	Box 143, Sitka 99835	3
Ferguson, Frank R. (NP)	Box 131, Kotzebue 99752	19
Fink, Tom (R)	1350 23rd St., Anchorage 99503	8
Fischer, Helen M. (D)	2023 Wildwood Lane, Anchorage 99503	8
Freeman, Oral (D)	2743 3rd Ave., Ketchikan 99901	1
Fritz, Milo H. (R)	2235 Vanderbilt Circle, Anchorage 99504	9
Gardiner, Terry (D)	Box 1092, Ketchikan 99901	1
Guy, Phillip (D)	Kwethluk 99621	15
Hackney, W. Glenn (R)	1136 Sunset Dr., Fairbanks 99701	17
Hartig, Robert (R)	3419 Fordham, Anchorage 99504	9
Haugen, E. J. (R)	Box 248, Petersburg 99833	2
Hillstrand, Earl D. (D)	2100 Lake Otis Pkwy, Anchorage 99503	9
Huber, John (D)	Box 2591, Fairbanks 99701	17
Laktonen, Jacob Jr. (R)	Larsen Bay 99624	13
McGill, Joseph E. (D)	Box 218, Dillingham 99576	14
McVeigh, Richard L. (D)	4809 Nottingham Way, Anchorage 99503	10
Malone, J. Hugh (D)	P.O. Box 9, Kona 99611	11
Meekins, Russ (D)	1540 "K" St., Anchorage 99501	7
Miller, Jo Ann (R)	836 "M" St., Apt. 110, Anchorage 99501	7
Miller, Mike (D)	Box 1494, Juneau 99801	4
Naughton, Edward F. (D)	Box 1097, Kodiak 99615	12
Orsini, Joseph L. (R)	2912 Alder Dr., Anchorage 99504	8
Oso, Alfred O. (D)	P.O. Box 832, Palmer 99645	6
Parker, William K. (D)	1134 "G" St., Anchorage 99501	7
Potterson, Lawrence D. (D)	P.O. Box 19, Ft Yukon 99740	16
Randolph, Richard (R)	Box 123, Fairbanks 99701	17
Saylor, A. M. (R)	P.O. Box 4-084, Anchorage 99504	8
Spocking, Keith W. (R)	Hope 99605	5
Tilton, "M" V. (R)	Hallbut Cove 99603	11
Urton, Richard K. (R)	Box 4-175, Anchorage 99503	9
Warwick, Andrew S. (R)	301 Kody, Fairbanks 99701	17
Wilson, L. Lavell (R)	Box 156, Tok 99880	10

Senate

Butrovich, John (R)	1039 5th Ave., Fairbanks 99703	J
Croft, Chancy (D)	1511 "G" St., Anchorage 99501	E
Groh, Clifford J. (R)	430 "C" St., Anchorage 99501	E
Harris, Jess (R)	1016 11th Ave., Anchorage 99501	E
Hensley, Willie (D)	Box 33, Kotzebue 99752	K
Hohman, George H. (D)	Bethel 99559	H
Kerttula, Jalmar M. (D)	Box 2, Palmer 99645	D
Lewis, C. R. (R)	1922 Logan St., Anchorage 99504	E
Meland, H. D. "Pete" (D)	Box 53, Sitka 99835	H
Miller, Keith H. (R)	836 "M" St., #202, Anchorage 99501	E
Miller, Terry (R)	P.O. Box 80869, Fairbanks 99701	J
Palmer, W. I. "Bob" (R)	Box 103, Ninilchik 99639	F
Poland, Kathryn (D)	Box 45, Kodiak 99615	G
Rader, John (D)	Box 2068, Anchorage 99510	E
Ray, Bill (D)	165 Behrends Ave., Juneau 99801	C
Rettig, Ron L. (R)	2567 Loubac Ln., Anchorage 99503	E
Sackett, John (R)	Box 65, Galena 99741	I
Thomas, Lowell Jr. (R)	7022 Tanaina Tr., Anchorage 99502	E
Young, Donald E. (R)	Box 119, Ft. Yukon 99740	J
Ziegler, Robert H. Sr. (D)	Box 979, Ketchikan 99901	A

LEGISLATIVE COMMITTEE ASSIGNMENTS

1973 - 1974

HOUSE

Commerce

Randolph (Chairman),  
J. Miller (Vice Chairman),  
Tillion, Urion, Bowman,  
Fischer, Meekins

Finance

Hillstrand (Chairman),  
Haugen (Vice Chairman),  
Saylor, Specking, Warwick,  
Barber, Freeman, Ose, Ferguson

Health, Welfare & Education

Beirne (Chairman),  
Fritz (Vice Chairman), Hackney,  
Hartig, Malone, Meekins,  
Petersen

Judiciary

Tillion (Chairman),  
Banfield (Vice Chairman),  
Beirne, Orsini, Chance,  
Malone, McVeigh

Labor & Management

Eliason (Chairman),  
Urion (Vice Chairman),  
Carrol, Wilson, Bowman,  
Bradner, Parker

Local Government

Carrol (Chairman),  
Hackney (Vice Chairman),  
Fritz, Laktonen, Gardiner,  
Guy, Peterson

Resources

McGill (Chairman),  
Hartig (Vice Chairman),  
Eliason, Laktonen, J. Miller,  
Randolph, Wilson, Deegan,  
Gardiner, Guy, Huber, Naughton,  
Parker

Rules

McVeigh (Chairman),  
Huber (Vice Chairman),  
Banfield, Randolph, Bradner

State Affairs

Fischer (Chairman),  
Orsini (Vice Chairman),  
J. Miller, Wilson, Huber,  
M. Miller, Naughton

SENATE

Commerce

Lewis (Chairman),  
K. Miller (Vice Chairman),  
Harris, Kerttula, Ziegler

Finance

Groh (Chairman),  
Lewis (Vice Chairman),  
Butrovich, Palmer, Sackett,  
Poland, Ray

Health, Welfare & Education

Thomas (Chairman),  
Young (Vice Chairman),  
Sackett, Croft, Hensley

Judiciary

Ziegler (Chairman),  
Rettig (Vice Chairman),  
Meland, Poland, Rader

Labor & Management

Harris (Chairman),  
Lewis (Vice Chairman),  
Young, Croft, Meland

Local Government

Rader (Chairman),  
Hensley (Vice Chairman),  
K. Miller, Young, Hohman

Resources

Sackett (Chairman),  
Butrovich (Vice Chairman),  
Palmer, Thomas, Hohman,  
Meland, Rader

Rules

Palmer (Chairman),  
Groh (Vice Chairman),  
Butrovich, Thomas,  
Ziegler

State Affairs

K. Miller (Chairman),  
Harris (Vice Chairman),  
Rettig, Kerttula,  
Ray

1/30/73

House Resources Committee  
Public Hearing

House Bill #59

3:30 Hearing tape - tape 1 Side 1)

Rick Garnett, A-C office testified  
on behalf of adm. brought in  
new amendments

and a Per. man  
difference in This years Bill  
and last year Bill.

Wellen -

4:15 tape 2 Side 2

1 IN THE HOUSE

BY FINK

2 HOUSE BILL NO.

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 EIGHTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act relating to oil and gas revenue; and providing  
7 for an effective date."

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

9 \* Section 1. AS 43 is amended by adding a new chapter to read:

10 CHAPTER 56. OIL AND GAS TRANSPORTATION PROPERTY TAX.

11 Sec. 43.56.010. LEVY OF TAX. (a) An annual tax of 20 mills is  
12 levied each tax year beginning January 1, 1974, on the full and true  
13 value of taxable real and tangible personal property employed in the  
14 production and transportation of unrefined oil and gas. With respect  
15 to a facility employed for part of a tax year in a manner as to render  
16 it taxable under this chapter or partly so employed for a full tax year,  
17 the value of the facility taxable under this chapter shall be propor-  
18 tionate to the employment. Property taxable under this chapter does not  
19 include property employed in the construction of facilities as distin-  
20 guished from the facilities themselves; however, with respect to  
21 pipelines and other facilities taxable under this chapter which may be  
22 under construction or awaiting construction, full and true value for  
23 each tax year shall be measured by the costs incurred or accrued with  
24 respect to the facility as of the assessment date.

25 (b) Local governmental units may levy a tax not to exceed 20 mills  
26 on not more than 25 per cent of the full and true value of taxable real  
27 and tangible personal property employed in the production and trans-  
28 portation of unrefined oil and gas. Payment of the tax levied under  
29 this subsection is in lieu of the appropriate portion of the tax levied

1 by the state under (a) of this section.

2 Sec. 43.56.020. EXEMPTIONS. In addition to property excluded  
3 under sec. 130(2) of this chapter, the following property is exempt  
4 from the tax levied under this chapter:

5 (1) producing oil or gas leases;

6 (2) oil and gas produced in the state upon which gross  
7 production taxes are paid under AS 43.55.

8 Sec. 43.56.030. IN PLACE OF OTHER TAXES. Payment of the tax  
9 levied under this chapter is in place of all ad valorem taxes on  
10 property subject to tax under this chapter now or hereafter imposed by  
11 the state, or by a city or a borough.

12 Sec. 43.56.040. ASSESSMENT. Assessment of property subject to the  
13 tax levied under this chapter shall be carried out by the state assessor  
14 substantially in the manner provided in AS 29.53.060 - 29.53.160 for  
15 municipalities except that the state assessor shall function in place  
16 of the local assessor, and the State Assessment Review Board shall  
17 function in the place of the assembly or council sitting as a board of  
18 equalization.

19 Sec. 43.56.050. STATE ASSESSMENT REVIEW BOARD. The governor shall  
20 appoint at least five qualified persons to serve at his pleasure as  
21 the State Assessment Review Board.

22 Sec. 43.56.060. PER DIEM AND EXPENSES. Members of the State  
23 Assessment Review Board shall be compensated and are entitled to per  
24 diem and expenses authorized by law for boards and commissions.

25 Sec. 43.56.070. POWERS AND DUTIES. The State Assessment Review  
26 Board has the powers and duties with respect to assessment of property  
27 taxable under this chapter of an assembly or council sitting as a  
28 board of equalization.

**AGO 533402**

29 Sec. 43.56.080. COLLECTION AND ENFORCEMENT. The tax levied in

1 this chapter is payable in full to the Department of Revenue on  
2 September 30 of the tax year, except that, the Department of Revenue  
3 may by regulation provide for prepayment of taxes and payment by  
4 installments. A penalty of ten per cent shall be added to delinquent  
5 taxes and interest at the rate of eight per cent per annum, or four  
6 percentage points above the per annum rate charged member banks for  
7 advances by the 12th Federal Reserve District that prevailed on the  
8 first day of the month preceding the commencement of that calendar  
9 quarter, whichever is greater, shall accrue on all unpaid taxes,  
10 excluding penalties, from the due date until paid in full. Collection  
11 of the tax levied under this chapter shall be carried out by the  
12 Department of Revenue substantially in the manner provided in AS  
13 29.53.200 - 29.53.390 except that the state is substituted for ref-  
14 erences to cities and boroughs.

15 Sec. 43.56.090. LIEN FOR TAX. Notwithstanding any other provision  
16 of law, the tax levied under this chapter and interest and penalty set  
17 out in sec. 80 of this chapter are liens upon the property subject to  
18 tax under this chapter. The liens provided by this section are prior  
19 and paramount to all other liens or encumbrances upon the same property.

20 Sec. 43.56.100. FAILURE TO FILE: FALSE STATEMENT. A person who  
21 knowingly fails to file a return when due or makes a false statement  
22 in a return required under this chapter with intent to evade the  
23 taxation is guilty of a felony and upon conviction is punishable by a  
24 fine of not more than \$5,000, or by imprisonment for not more than  
25 five years, or by both, together with the costs of prosecution.

26 Sec. 43.56.110. DEPOSIT IN GENERAL FUND. The revenue from the  
27 tax levied under this chapter shall be deposited in the general fund.

28 Sec. 43.56.120. REGULATIONS. The state assessor and the Depart-  
29 ment of Revenue may adopt regulations as appropriate to carry out their

1        respective duties under this chapter.

2            Sec. 43.56.120. DEFINITIONS. In this chapter

3            (1) "tax levying jurisdiction" means an organized borough or  
4        a city levying ad valorem taxes whether located inside or outside an  
5        organized borough;

6            (2) "taxable real and tangible personal property" means  
7        machinery, appliances and equipment used in the operation of wells  
8        producing oil or gas and tank farms, tanker terminals, gathering and  
9        transmission lines, and related facilities associated with the pro-  
10        duction and transportation of crude oil and natural gas; the term  
11        includes otherwise taxable property exempted from taxation under home  
12        rule ordinance or charter, but does not include property exempt from  
13        taxation under the constitution and laws of the state or of the United  
14        States, or any subsurface estate or property used in a consumer dis-  
15        tribution system.

16 \* Sec. 2. AS 38.35.140 is repealed and re-enacted to read:

17            Sec. 38.35.140. PAYMENT OF RENTAL. (a) The carrier shall agree  
18        in the lease, as a condition for obtaining the lease of state public  
19        land for pipeline right-of-way, that it will pay annually to the state  
20        as rent for the premises demised an amount determined in accordance  
21        with the provisions of AS 38.05.330 for the lease of state public land  
22        for easements and rights-of-way.

23            (b) Each lease of state public land for pipeline right-of-way  
24        shall provide that all money and other sums which become due to the  
25        state by reason of any provision of the lease is and shall always be  
26        a valid and first lien upon the buildings and improvements on the  
27        demised property, and upon all of the interests of the lessee carrier  
28        in the lease and in the property of the carrier transported by the  
29        pipeline subject to the lease and paramount to any mortgage which the

1 carrier may execute on them, or any lien caused by the carrier.

2 \* Sec. 3. This Act takes effect on the day after its passage and approval  
3 or on the day it becomes law without approval.  
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BY FINK

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4 EIGHTH LEGISLATURE - FIRST SESSION

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21 pipelines and other facilities taxable under this chapter which may be  
22 under construction or awaiting construction, full and true value for  
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24 respect to the facility as of the assessment date. **AGO 533406** +

25 (b) Local governmental units may levy a tax not to exceed 20 mills  
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**AGO 533407**

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JUNEAU ALASKA

# Alaska State Legislature House

## HOUSE RESOURCES

Joe McGill, Chairman

Hartig, Vice-Chairman

Wilson

Laktonen

J. Miller

Eliason

Randolph

Huber

Naughton

Gardiner

Parker

Guy

Degnan

Bob Christensen  
Administrative Ass't.

Diann L. Nelson  
Staff Assistant

### PRESS RELEASE

### HOUSE RESOURCES COMMITTEE

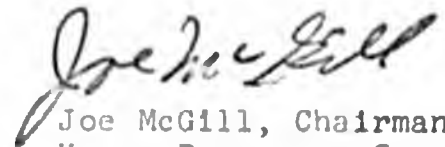
### Public Hearing

A public hearing by the House Resources Committee on House Bill #59.

"An Act providing for a state tax on property used in connection with transportation of unrefined oil and gas."

The hearing to be held in the House Conference Room, Tuesday, February 27, 1973 at 3:30 P.M.

The public is invited and urged to attend. Further information concerning House Bill #59 or the public hearing may be obtained from Representative Joe McGill, Chairman House Resources Committee, Pouch V, Juneau, Alaska 99801



Joe McGill, Chairman  
House Resources Committee

AGO 533411



JUNEAU ALASKA

# Alaska State Legislature

## House

### HOUSE RESOURCES

Joe McGill, Chairman

Hartig, Vice-Chairman

Wilson

Laktonen

J. Miller

Eliason

Randolph

Huber

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Guy

Degnan

Bob Christensen  
Administrative Ass't.

Diann L. Nelson  
Staff Assistant

### PRESS RELEASE

### HOUSE RESOURCES COMMITTEE

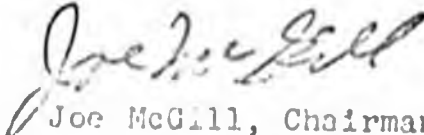
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Joe McGill, Chairman  
House Resources Committee

AGO 533418

House

BILL NO. 59 DATE PAGE TITLE SPONSOR FURTHER REFERRALS

This Bill If Enacted Would:

"an act providing for state tax on property used in connection with transportation of unrefined oil and gas;

When Bill Considered by <sup>R</sup> Committee:

1/19/73

Action Taken by Committee:

public hearing

1/30/73

3:30

Amendments: Amended to Provide That:

Witnesses Testifying Before Committee: (summary of testimony)

Committee moved to hold a public hearing on house Bill 59

Other Comments:

HOUSE RESOURCES COMMITTEE WORK SHEET

BILL NO. <sup>59</sup> DATE <sup>1/30</sup> PAGE TITLE SPONSOR FURTHER REFERRALS

This Bill If Enacted Would: \_\_\_\_\_

When Bill Considered by RA Committee: \_\_\_\_\_

Action Taken by Committee: \_\_\_\_\_

Amendments: Amended to Provide That: \_\_\_\_\_

*P. 4 line 16 strike "Production And"*

Witnesses Testifying Before Committee: (summary of testimony) \_\_\_\_\_

*Rich Garnet - A.E. officer  
State Corporate Sales -*

*E. Westborne, Vice President - Augusta Pipeline Corp.*

*Send to Sub-Committee for further  
Study - Jan. 31, 1973 - draw up recommendations*

*Dubler McHill, Chairman  
~~Blair~~ Hartig  
Nequon Parker  
Miller*

Introduced: 1/12/73  
Referred: Resources, Local  
Government and Finance

1 IN THE HOUSE

BY THE RULES COMMITTEE BY  
REQUEST OF THE GOVERNOR

2 HOUSE BILL NO. 59

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 EIGHTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act providing for a state tax on property used  
7 in connection with transportation of unrefined oil  
8 and gas; and providing for an effective date."

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

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15 tion of unrefined oil and gas. With respect to a facility employed for  
16 part of a tax year in a manner as to render it taxable under this  
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18 facility taxable under this chapter shall be proportionate to the  
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27 a city or borough on January 1, 1973 and on January 1 of each succeeding  
28 tax year.

29 Sec. 43.56.020. EXEMPTIONS. In addition to property excluded

1 under sec. 130(2) of this chapter, the following property is exempt  
2 from the tax levied under this chapter:

3 (1) producing oil or gas leases;

4 (2) machinery, appliances and equipment used and around  
5 a well producing oil or gas and actually used in the operation of a  
6 well;

7 (3) oil and gas produced in the state upon which gross  
8 production taxes are paid under AS 43.55;

9 (4) pipelines less than 21 inches in diameter.

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18 provision of law, the tax levied under this chapter and interest and  
19 penalty set out in sec. 80 of this chapter are liens upon the property  
20 subject to tax under this chapter. The liens provided by this section  
21 are prior and paramount to all other liens or encumbrances upon the  
22 same property.

23 Sec. 43.56.100. FAILURE TO FILE: FALSE STATEMENT. A person who  
24 knowingly fails to file a return when due or makes a false statement  
25 in a return required under this chapter with intent to evade the taxator  
26 is guilty of a felony and upon conviction is punishable by a fine of  
27 not more than \$5,000, or by imprisonment for not more than five years,  
28 or by both, together with the costs of prosecution.

29 Sec. 43.56.110. DEPOSIT IN GENERAL FUND. The revenue from

1 the tax levied under this chapter shall be deposited in the general  
2 fund.

3 Sec. 43.56.120. AUTHORIZATION OF APPROPRIATION. There is  
4 authorized to be appropriated each year for payment to each tax levying  
5 jurisdiction an amount equal to the revenue which would be raised by  
6 application of the current year mill levy of the tax levying jurisdic-  
7 tion to 20 per cent of the value, as determined under this chapter for  
8 the current tax year, of property taxable under this chapter located  
9 in the tax levying jurisdiction.

10 Sec. 43.56.130. DEFINITIONS. In this chapter

11 (1) "tax levying jurisdiction" means an organized borough or  
12 a city levying ad valorem taxes whether located inside or outside an  
13 organized borough;

14 (2) "taxable real and tangible personal property" means  
15 tank farms, tanker terminals, gathering and transmission lines, and  
16 related facilities associated with the (production and) transportation of  
17 crude oil and natural gas; the term includes otherwise taxable property  
18 exempted from taxation under home rule ordinance or charter, but does not  
19 include property exempt from taxation under the constitution and laws of  
20 the state or of the United States, or any subsurface estate or property  
21 used in a consumer distribution system.

22 Sec. 43.56.160. REGULATIONS. The State Assessor and the Depart-  
23 ment of Revenue may adopt regulations as appropriate to carry out  
24 their respective duties under this chapter.

25 \* Sec. 2. This Act takes effect on the day after its passage and approval  
26 or on the day it becomes law without approval.  
27  
28  
29

Belone

Rec # 1 DELETE 43.56.030

AND TO  
43.56.010  
Rec # 2 Allow 10 mill tax by local  
GOVTS IN ADD TO 20 MILL STATE TAX  
RATIONAL - 30 MILL STATUTORY LIMIT AT PRESENT ON  
AD VALOREM TAX

Introduced: 1/12/73  
Referred: Resources, Local  
Government and Finance

Rec # 3 - FLOOR FOR AT

LEAST A 7 MILL PORTION  
REFUNDED TO LOCAL GOVTS  
IN THE HOUSE (would be in lieu of ANY  
other tax)

BY THE RULES COMMITTEE BY  
REQUEST OF THE GOVERNOR

HOUSE BILL NO. 59

IN THE LEGISLATURE OF THE STATE OF ALASKA

EIGHTH LEGISLATURE - FIRST SESSION

A BILL

For an Act entitled: "An Act providing for a state tax on property used  
in connection with transportation of unrefined oil  
and gas; and providing for an effective date."

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

\* Section 1. AS 43 is amended by adding a new chapter to read:

CHAPTER 56. OIL AND GAS TRANSPORTATION PROPERTY TAX.

Sec. 43.56.010. LEVY OF TAX. An annual tax of 20 mills is levied  
each tax year beginning January 1, 1974, on the full and true value of  
taxable real and tangible personal property employed in the transporta-  
tion of unrefined oil and gas. With respect to a facility employed for  
part of a tax year in a manner as to render it taxable under this  
chapter or partly so employed for a full tax year, the value of the  
facility taxable under this chapter shall be proportionate to the  
employment. Property taxable under this chapter does not include  
property employed in the construction of facilities as distinguished  
from the facilities themselves; however, with respect to pipelines and  
other facilities taxable under this chapter which may be under con-  
struction or awaiting construction, full and true value for each tax  
year shall be measured by the costs incurred or accrued with respect to  
the facility as of the assessment date. The tax levied under this  
chapter does not apply to property subject to ad valorem taxation by  
a city or borough on January 1, 1973 and on January 1 of each succeeding  
tax year.

Sec. 43.56.020. EXEMPTIONS. In addition to property excluded

150 per mi  
at 1000 ft  
10 mill = 10000 per mi

1 under sec. 130(2) of this chapter, the following property is exempt  
2 from the tax levied under this chapter:

3 (1) producing oil or gas leases;

4 (2) machinery, appliances and equipment used and around  
5 a well producing oil or gas and actually used in the operation of a  
6 well;

7 (3) oil and gas produced in the state upon which gross  
8 production taxes are paid under AS 43.55;

9 (4) pipelines less than 21 inches in diameter.

10 [Sec. 43.56.030. IN PLACE OF OTHER TAXES. Payment of the tax  
11 levied under this chapter is in place of all ad valorem taxes on property  
12 subject to tax under this chapter now or hereafter imposed by  
13 the state, or by a city or a borough.]

14 Sec. 43.56.040. ASSESSMENT. Assessment of property subject to  
15 the tax levied under this chapter shall be carried out by the State  
16 Assessor substantially in the manner provided in AS 29.53.060 -  
17 29.53.160 for municipalities, except that the State Assessor shall  
18 function in place of the local assessor, and the State Assessment  
19 Review Board shall function in the place of the assembly or council  
20 sitting as a board of equalization.

21 Sec. 43.56.050. STATE ASSESSMENT REVIEW BOARD. The governor  
22 shall appoint at least five qualified persons to serve at his pleasure  
23 as the State Assessment Review Board

24 Sec. 43.56.060. PER DIEM AND EXPENSES. Members of the State  
25 Assessment Review Board shall be compensated and are entitled to per  
26 diem and expenses authorized by law for boards and commissions.

27 Sec. 43.56.070. POWERS AND DUTIES. The State Assessment Review  
28 Board has the powers and duties with respect to assessment of property  
29 taxable under this chapter of an assembly or council sitting as a

1 board of equalization.

2           Sec. 43.56.080. COLLECTION AND ENFORCEMENT. The tax levied in  
3 this chapter is payable in full to the Department of Revenue on  
4 September 30 of the tax year, except that, the Department of Revenue  
5 may by regulation provide for prepayment of taxes and payment by  
6 installments. A penalty of ten per cent shall be added to delinquent  
7 taxes and interest at the rate of eight per cent per annum, or four  
8 percentage points above the per annum rate charged member banks for  
9 advances by the 12th Federal Reserve District that prevailed on the  
10 first day of the month preceding the commencement of that calendar  
11 quarter, whichever is greater, shall accrue on all unpaid taxes,  
12 excluding penalties, from the due date until paid in full. Collection  
13 of the tax levied under this chapter shall be carried out by the  
14 Department of Revenue substantially in the manner provided in AS 29.53.  
15 200 - 29.53.390 except that the state is substituted for references  
16 to cities and boroughs.

17           Sec. 43.56.090. LIEN FOR TAX. Notwithstanding any other  
18 provision of law, the tax levied under this chapter and interest and  
19 penalty set out in sec. 80 of this chapter are liens upon the property  
20 subject to tax under this chapter. The liens provided by this section  
21 are prior and paramount to all other liens or encumbrances upon the  
22 same property.

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22 Sec. 43.56.160. REGULATIONS. The State Assessor and the Depart-  
23 ment of Revenue may adopt regulations as appropriate to carry out  
24 their respective duties under this chapter.

25 \* Sec. 2. This Act takes effect on the day after its passage and approval  
26 or on the day it becomes law without approval.  
27  
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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.

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HOUSE RESOURCES COMMITTEE WORK SHEET

BILL NO. <sup>416</sup>59 DATE <sup>2/</sup>19 PAGE TITLE SPONSOR FURTHER REFERRALS

This Bill If Enacted Would: \_\_\_\_\_

When Bill Considered by RA Committee: \_\_\_\_\_

Action Taken by Committee: \_\_\_\_\_

Amendments: Amended to Provide That: \_\_\_\_\_

Witnesses Testifying Before Committee: (summary of testimony) \_\_\_\_\_

*John Harvelock Attorney General*  
*Dept. of Treasury*  
*Dept. of Revenue*  
*Assistant Attorney General - Rich Garnett*

EDGAR W. WELLBAUM  
ALYESKA PIPELINE SERVICE CO.  
BOX 576  
BELLEVUE, WASH. 98009

RICK GARNETT  
A-G OFFICE



JUNEAU ALASKA

Alaska State Legislature  
House

HOUSE RESOURCES

Joe McGill, Chairman

Hartig, Vice-Chairman

Wilson

Laktonen

J. Miller

Eliason

Randolph

Huber

Naughton

Gardiner

Parker

Guy

Degnan

Bob Christensen  
Administrative Ass't.

Diann L. Nelson  
Staff Assistant

PRESS RELEASE

HOUSE RESOURCES COMMITTEE

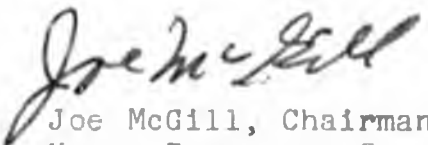
Public Hearing

A public hearing by the House Resources Committee on House Bill #59.

"An Act providing for a state tax on property used in connection with transportation of unrefined oil and gas."

The hearing to be held in the House Conference Room, Tuesday, January 30, 1973 at 3:30 P.M.

The public is invited and urged to attend. Further information concerning House Bill #59 or the public hearing may be obtained from Representative Joe McGill, Chairman House Resources Committee, Pouch V, Juneau, Alaska 99801

  
Joe McGill, Chairman  
House Resources Committee



CS House Bill 59 for

House Bill 59  $\doteq$  3/14/73

6. - for -  
4. - against - C.S. adopted 3/14/73

$\doteq$  Pass Bill out on  $\doteq$  ? moved by Huber

Paul Robinson - Alaska Pipeline Co.

Huber, difference between HB. 59 -  
C.S. HB 59

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