

ALASKA LEGISLATIVE COUNCIL HOUSE 2007

2007 HSA HB 60 - HB 121 2007

DEPARTMENT OF ADMINISTRATION

DIVISION OF RISK MANAGEMENT

POUCH C
JUNEAU, ALASKA 99811
(907) 465-2130

December 5, 1980

Mr. Gerald L. Wilkerson, CPA
Legislative Auditor
Division of Legislative Audit
Pouch W
Juneau, AK 99811

RECEIVED

DEC 5 1980

**LEGISLATIVE
AUDIT**

Dear Mr. Wilkerson:

Re: Preliminary Audit Report
Division of Risk Management
Performance Review

We have responded in detail to each item and feel that the audit team has made a start in recognizing some of the problems in operating a statewide Risk Management program. I am disappointed, however, that no audit comment addressed the fact that the State has a sophisticated cost effective program which is probably superior to that of any other major public entity. In addition, there seems to be no recognition of the fact that Risk Management has in fact reduced the cost of risk to each state agency by approximately \$3,000,000.00 over the past three years despite a significant increase in state operations.

We believe that the Risk Management staff is professional and that those contractors which are utilized to supplement that staff are professional. Each contractor's services are negotiated in a performance oriented environment and those contractors who do not meet those performance requirements are replaced or their scope is limited. We believe that due to Risk Management's widespread reliance on these contractors that a "performance" audit should also involve auditing the performance of the contractors. In fact, the auditors have met with Marsh & McLennan to review some concerns directly with that contractor. We will be happy to spend whatever time is necessary with the auditors to satisfy all concerns. However, we wish the audit would have commented on the results of the program which we believe has operated in an effective, efficient, and economical manner.

Recommendation No. 1

- (A) The Division of Risk Management should solicit proposals from several major insurance brokers prior to entering into FY 82 contracts.
(B) Further, computer services should be obtained from some source other than one providing brokerage services.

A. Agree

The recommendation for broker selection is, of course, one that has been under consideration for the past two to three years. It was determined in Fiscal Year (FY) 1980 to separate the excess insurance from the primary insurance and thus open up a portion of the State account to the smaller Alaska broker so that these brokers could participate and compete on a footing equal to major brokers. The results of the Request for Proposal (RFP) were that two additional Alaska brokers are now involved in the State account for FY 1981. You made some excellent points in discussing the decision to expand Marsh and McLennan's (M&M) services in FY 1978 and subsequently, that the decision was made based on the "quality of service" and "advice from outside professional consultants." This appears to be an excellent method of negotiating professional services. Those who are performing in a cost effective manner receive expanded services and those contractors who are not performing either receive reduced services or are terminated. Ultimately, the selection of the "best" contractor depends on the professional judgment of the program manager. A broker selection decision should be governed by the reasonable expectation that the State will, in fact, benefit by this RFP and will justify the time and expense involved in the process. A decision has been made to go through a full broker selection process for FY 1982 to be effective May 15, 1981.

B. Disagree

The recommendation that computer services be obtained from another source does not appear to be in the best interest of Risk Management at this time. The State owns the data base and simply utilize Marsh and McLennan to coordinate the management information system (IRIS) output in a form that is required by Risk Management and best achieves our objectives. By having Marsh and McLennan handle and be responsible for this coordination, the State is able to save both time and money and at any point could take the service and give it to someone else. All input is handled by someone other than Marsh and McLennan so it is not clear in what way there is a conflict of interest. Since Marsh and McLennan do not receive commissions, there would be no benefit to them to manipulate the data in any way that produces higher costs to the State or otherwise be detrimental to the State.

Presently Risk Management does not have the staff time available to devote to the design of a program with the State Division of Data Processing. The current system meets the Division's requirements at this time.

Recommendation No. 2:

The Division should strengthen its procedures to ensure that financial transactions are made in accordance with State statutes, the State Administrative Manual, and are properly recorded in the state's accounting system.

Disagree

It is our contention that Risk Management and the nature of its fiscal transactions are not completely compatible with PBA. The establishment of a Revolving Fund which the auditors do not support would provide a major relief to the system. The Appendix A supplement illustrates the problem by distorting the actual costs of the program. Manually encumbered funds from prior years are carried forward and inflate the costs of the program. In addition, program receipts such as payments from insurance companies and recoveries from third parties are not credited to the program.

The major concern in this recommendation appears to be the fact that Risk Management utilizes portions of two separate systems to handle the necessary information that is required. The management information system (MIS) was developed to serve several functions:

1. To provide data to be utilized in the claims management program.
2. To provide loss control information which enables the State and each Department to pinpoint those areas contributing to loss and to take necessary corrective action.
3. To provide a cost of risk allocation procedure which is both equitable and accurate.
4. To provide underwriting data to be utilized by the broker and risk manager in negotiating insurance contracts with the insurance underwriters.
5. To assist Peat, Marwick and Mitchell in providing an audit of financial transactions with the State's insurance adjuster, Northern Adjusters of Anchorage.
6. To provide the risk manager with an overview of the State's losses and exposures and a basis of comparison from one year to the next.
7. To provide data by line of coverage to support encumbrances.

The State PBA system is utilized for the recording of expenditure and receipt information in connection with State warrants and program receipts and to provide a tracking for those available funds in each budget component. A second function is to record encumbrance data to

insure that the necessary funds are encumbered to meet state obligations. The recommendation is that the two systems be reconciled by an alignment of collocation codes and it is not clear how this procedure would be accomplished and what the benefit would be to the State. It is Risk Management's intent that IRIS provide the detailed transactions involving each claim or program receipt and that the State PBA system be more general in its financial activity.

A further recommendation had to do with the prior year encumbrances and a statement was made that Risk Management's encumbrance documents were not supported by worksheets that showed the source and basis of amounts encumbered. All Risk Management encumbrances were, in fact, backed up by one of two different methods. For direct damage claims such as fire insurance loss to a building or loss to a state ferry or other item of property, the encumbrance back up consists of the estimated reserve for settlement of the loss, less that amount that may have been paid prior to August 31, of the fiscal year. The balance is the encumbrance. The encumbrances for liability and workers' compensation claims are detailed in the encumbrance report. Risk Management takes those known losses at the close of a fiscal year and utilizes actuarial projections from the State's primary insurance broker to determine the ultimate cost of these claims. This amount is then encumbered as it is the best estimate of the amount of funds that will be needed to ultimately settle the claims which occurred in the fiscal year in question. It should not be difficult to determine that those encumbrances which Risk Management has used in the past are, in fact, highly accurate and justified.

The second portion of the encumbrance recommendation involved utilizing encumbrances for different purposes. The Risk Management system of collocation codes for the various types of insurance and losses is complex. To add to this complexity is the fact that most of the claims take longer than one fiscal year to finally mature and be settled. Without a revolving fund, it is necessary to encumber funds utilizing the best estimate of reserves available at the time and to then revise these amounts as more information is known concerning the settlement of the loss. At times, due to an error in a financial transaction, the wrong account will be utilized to pay a loss, thus creating an imbalance in another account, but with subsequent correction.

A third financial recommendation involved subrogation recoveries and the statement was made that these recoveries were inappropriately deposited into the Northern Adjusters' trust account. The state recovered \$2,325,085.00 in program receipts during FY80. These receipts consisted of \$70,642.00 interest from loss funds, \$39,000.00 miscellaneous recoveries, \$420,899.00 marine insurance proceeds, \$1,734,059.00 property insurance proceeds and \$69,485.00 in subrogation recoveries. The \$2,264,600.00 were deposited into the State general fund. The concern seems to be about the \$69,485.00 which went into the Northern Trust Account. Many of these items were a reduction of expenditures for those particular claims which would have otherwise occurred. Some of the funds were

recovered directly by Risk Management and some of the funds were recovered directly by Northern as part of their required function as a claims adjuster. It is believed that these particular recoveries are in fact appropriately deposited in the trust account as a reduction in expenditures rather than brought in and deposited into the State general fund.

The conclusion of this detailed recommendation is that Risk Management is "accountable for its use of state funds" and required "to maintain accurate and auditable records of its financial activities". We submit that this has been accomplished. Out of a budget of \$13,751.7, Risk Management overhead is 353.1; insurance premiums 4806.0; service contracts 730.9 and losses 7861.7. The overhead, insurance premiums and contracts were reviewed by the auditors. The Northern Adjusters' claim files, however, were not reviewed. The audit of the majority of the Risk Management encumbrances must include the basis for the encumbrances which are the individual casualty claims files at Northern Adjusters. Risk Management has satisfied themselves that the financial transactions are accurate by employing Marsh and McLennan and Peat, Marwick, Mitchell and Company to perform periodic audits.

Risk Management agrees with the need for additional staff. However, a position to do nothing but track items through the State PBA system would not appear to be the best utilization of personnel. The auditor is aware of the administrative positions which were lost in free conference committee during FY 81 budget hearings and that these positions are going to attempt to be reinstated for FY 82.

Recommendation No. 3

The Division should perform or contract for cash disbursement audits of workers' compensation and general liability claims.

Disagree

The State incurs approximately 1,500 new claims each year and in addition, there are thousands of claims from prior years which remain open until ultimately settled and closed. It would be impossible with the present staff for Risk Management to handle these claims and they are therefore handled through outside contract adjustment services. The bulk of these claims are handled by Northern Adjusters in Anchorage and in order to handle approximately 700 transactions each month, it is necessary for Northern to maintain a trust account in which they settle and pay claims based on their contract with the State. These claims are then reviewed in detail by Risk Management and by its claims management contractors for proper claims handling procedures. In addition, as part of the brokerage agreement with Marsh and McLennan of Seattle, Peat, Marwick and Mitchell make a quarterly review and audit of the financial transactions which occur between Northern and the trust account. Your recommendation is that these audits are not sufficient and that some kind of representative sampling of claim files be made to verify the

amount of the payment, the individual to whom the payment was made and other factual items. This type of procedure was discussed at great length with the auditors (Peat, Marwick and Mitchell) prior to their initial engagement in auditing the Alpac trust account, and subsequently in their engagement to provide a quarterly audit of the Northern trust accounts. We feel that there are adequate checks and balances as to the type of fraud that could possibly be picked up through an audit of this type. There are numerous checks on the validity of claimants in that each department receives periodically detailed claims runs outlining those individuals who have claims for both liability and workers' compensation against the State. Since these claims runs are used to develop the cost that each agency must pay for Risk Management, the agency is encouraged to review them for accuracy, which would include notifying Risk Management of any individuals who are charged to their department and who are not in that department. This procedure would certainly detect fraudulent claimants. Other checks include the detailed involvement of Risk Management, private attorneys, the Department of Law and individuals from Northern Adjusters in the major open cases. A further check is Marsh and McLennan's Claims Management Services that assists Risk Management in semi-annual audits of the Northern claims files. In reviewing these various review procedures in detail with the outside auditors, it was agreed that this particular type of audit check would not be appropriate for the State considering the extra cost involved.

Recommendation No. 4

Risk Management should keep Treasury informed of all bank accounts and investments into which it advances State funds.

Agree

This recommendation is one in which Risk Management was not familiar. There had been no requests of Risk Management to report account information to Revenue on a periodic basis. This has been corrected and a report of all open trust accounts has been given to Revenue for their information.

Recommendation No. 5

Risk Management should develop written procedures that outline insurance requirements for personal service contracts. These procedures should be incorporated into the State's Administrative Manual.

Agree

Risk Management is now in the middle of contract processing. The insurance provisions for all professional service contracts are supposed to be cleared by Risk Management. In addition, written draft guidelines have been distributed throughout the Department of Transportation and Public Facilities for architects and engineers professional contracts. The projection in savings is difficult to measure, however, \$300,000 is not an excessive figure considering the \$3,000,000 in liability claims that the State incurs each year.

The involvement of Risk Management has created a new awareness throughout the State of the need for proper documentation of insurance certificates. We have received excellent cooperation from the Department of Transportation and Public Facilities Contract Section, for example, who have provided help in establishing standard contract procedures and flagging of nonstandard contracts which require a more detailed review.

The Risk Management Division is working with Contract Officers in each agency to develop written procedures.

Recommendation No. 6

The Division should develop an annual report that provides a more complete picture of the State's Risk Management Program.

Agree

This recommendation is based on developing a report similar to that provided by major insurance companies which would give a detailed financial breakdown of claims, reserves, and an outline of the actual cost of risk incurred. Risk Management thinks that this is an excellent recommendation and will adopt this into an annual report which will serve to communicate much better the actual operation of the Risk Management program and the resulting savings in the cost of risk.

Recommendation No. 7

The Division of Finance should use historical costs for building values reported in the State annual financial report rather than values developed by the Division of Risk Management for insurance purposes.

Agree

This particular recommendation only involves Risk Management indirectly. The information developed for replacement cost is that which Risk Management uses in its insurance value report to the underwriters and is sufficient for these purposes. Risk Management utilizes the best available information to provide this data with the full knowledge that there are considerable activities going on in all areas as to acquisition

Mr. Gerald L. Wilkerson, C-A

-8-

December 5, 1980

and disposal of property. Risk Management coordinates with the Department of Transportation and Public Facilities who have the statutory responsibility for maintaining building indexes, but it is inevitable that there will be differences between the Department of Transportation and Public Facilities and Risk Management information due to differences in collecting and maintaining data.

Sincerely,



W. R. Hudson
Commissioner

WRH/JH/bab

STATE OF ALASKA

THE LEGISLATURE BUDGET AND AUDIT COMMITTEE

AUDIT DIVISION
POUCH W—ALASKA OFFICE BUILDING

FINANCE DIVISION
POUCH WF—STATE CAPITOL
JUNEAU, ALASKA 99811

December 5, 1980

Members of the
Legislative Budget and Audit Committee:

We have reviewed the Division of Risk Management's response to our preliminary report. Our comments follow.

Recommendation No. 1

Risk Management disagrees with our recommendation that brokerage services and computer services be obtained from different sources. One argument is that "the State owns the data base" and "at any point could take the service and give it to someone else." We point out that it takes much more than a data base to produce a management information system. It also takes computer programs. Further, computer changeovers are costly, and service is inevitably disrupted. Therefore, it is to the State's benefit to have a stable computer service. Because the State should be in a position to change brokers without adversely impacting its management information system, we stand by our recommendation that the two services be separated.

Recommendation No. 2

As pointed out in the report, Risk Management is accountable for its use of State funds. As such, it is required to comply with State laws which govern the use of these funds and to maintain accurate and auditable records of its financial activities. We believe sufficient examples are provided in the body of the report to illustrate that the Division needs to strengthen its procedures in this regard. Major areas of concern are:

1. Inadequate documentation of encumbrances.
2. Two separate computer systems which are not reconciled.
3. Cash receipts not deposited in the State Treasury.

Recommendation No. 3

The Division disagrees with this recommendation because it believes there are already adequate checks and balances over the workers' compensation and general liability claims. As an example, it refers to quarterly "audits" of the Northern Trust Account. Peat, Marwick and Mitchell perform bank reconciliations, not audits, and clearly state in their reports that "We have performed no audit procedures." Another example the Division refers to is the detailed claim listings periodically supplied to departments. It is unrealistic to believe, however, that departments will be able to thoroughly verify these listings. Claimants may not even be employed there any longer.

We believe Risk Management's existing controls are necessary, but not adequate, and reiterate our recommendation for cash disbursement audits. With the use of statistical sampling methods, this should not be a particularly time-consuming or expensive procedure.



Gerald L. Wilkerson, CPA
Legislative Auditor
Division of Legislative Audit

H B

6 4

COMMITTEE REPORT

HOUSE

2/4/81

FURTHER:

(5)

Date: 2-25-81

Mr. Speaker:

The Committee on STATE AFFAIRS has had HB 64

"An Act relating to the Alaska Energy Center; and providing for an effective date."

under consideration and (a majority of the committee) (the committee) reports it back with the following recommendations:

- do pass do not pass
- do pass with attached amendments(s)
- replace with CS for H 864 same title
 new title
- and recommends CS HB 64 DO PASS
- AND attaches a "Letter of Intent" New Fiscal Note
- reports it back without recommendation
- referred to the _____ Committee

MEMBERS SIGNING

DO PASS

[Signature]

[Signature]

[Signature]

MEMBERS HAVING

OTHER RECOMMENDATIONS:

[Signature]

[Signature]

CHAIRMAN

STATE OF ALASKA

JAY S. HAMMOND, GOVERNOR

DEPARTMENT OF LAW

OFFICE OF THE ATTORNEY GENERAL

POUCH K-STATE CAPITOL
JUNEAU, ALASKA 9981

465-3600

February 25, 1981

Hon. Mike Miller, Chairman
House State Affairs Committee
Alaska State Legislature
Pouch V
Juneau, AK 99811

Re: HB 64, Alaska Energy Center

Dear Mr. Chairman:

You have asked whether the proposed repeal of the provisions of AS 46.12.050 in their entirety will impair either the power of the governor to fill vacancies or the authority of a quorum of the center's board to conduct business when there is a vacancy on the board.

The answer to both questions is no. In the absence of statutory or constitutional provisions to the contrary, the appointing authority -- in this case, the governor -- always has the power to fill a vacancy in an office for the remainder of the term of office. Likewise, absent some provision to the contrary, a quorum of a committee always has the authority to conduct business notwithstanding a vacancy on the committee. Including express authority in a statute is, therefore, unnecessary. Indeed, it tends to create confusion: If express authority to do either is not included in another statute, is one to infer that the authority does not exist? For that reason, we generally recommend that these provisions be omitted.

Sincerely yours,

WILSON L. CONDON
ATTORNEY GENERAL

By: 
Rodger W. Pegues
Assistant Attorney General

RWP/pjg

HB

101

A M E N D M E N T :

to the Zharoff amendment

TO: CSHB 101 (Rules)

BY: Zharoff

OFFERED. April 15, 1982

PAGE: 3

LINES: following line 14
of the amendment

Add a new subsection (D) with the intent that:

~~(D)~~ fuel used in stationary power plants generating electrical
energy for private residential consumption,"

and re-letter the succeeding subsections accordingly.

HB 101

SENATE JOURNAL - PAGE 961- 2 4/20/82

<CS FOR HOUSE BILL NO. 101 (2d FIN)> by the Finance Committee with Letter of Intent, entitled:

"An Act relating to the motor fuel tax (AS 43.40); and providing for an effective date."

was read the first time and referred to the Transportation Committee and the Finance Committee.

HB 101

SENATE JOURNAL - PAGE 1028- 1 4/23/82

The Transportation Committee considered <CS FOR HOUSE BILL NO. 101 (2d FIN)> (motor fuel tax (AS 43.40)) and a majority of the committee recommends it do pass. Senator Ray, Chairman, signed "no recommendation". Senators Gilman, Dankworth and Sackett signed "do pass".

CS FOR HOUSE BILL NO. 101 (2d FIN) was referred to the Finance Committee.

HB 101

SENATE JOURNAL - PAGE 1090- 1 4/29/82

The Finance Committee considered <CS FOR HOUSE BILL NO. 101> <(2d FIN)> (motor fuel tax (AS 43.40)) and a majority of the committee recommends it be replaced with SENATE CS FOR CS FOR HOUSE BILL NO. 101 (FIN), entitled:

"An Act relating to state taxation; and providing for an effective date."

and do pass. The report was signed by Senator Bennett, Co-Chairman and concurred in by Senators Sackett, Sturgulowski, Eliason, Ferguson and Dankworth. Senator Stimson signed "no recommendation".

CS FOR HOUSE BILL NO. 101 (2d FIN) was referred to the Rules Committee.

HB 101

SENATE JOURNAL - PAGE 1134- 1 5/ 4/82

<CS FOR HOUSE BILL NO. 101 (2d FIN)> (relating to motor fuel tax (AS 43.40)) was read the second time.

Senator Sackett moved and asked unanimous consent that the

Finance Senate Committee Substitute offered on page 1090 be adopted. Without objection, (SENATE CS FOR CS FOR HOUSE BILL) (NO. 101 (FIN)) (relating to state taxation; eff date) was adopted.

Senator Rodey moved and asked unanimous consent for the adoption of the title change. Without objection, the title change was adopted.

SENATE CS FOR CS FOR HOUSE BILL NO. 101 (FIN) was read the second time.

Senator Rodey moved and asked unanimous consent that SENATE CS FOR CS FOR HOUSE BILL NO. 101 (FIN) be considered engrossed, advanced to third reading and placed on final passage. Without objection, it was so ordered.

SENATE CS FOR CS FOR HOUSE BILL NO. 101 (FIN) was read the third time.

The question being: "Shall SENATE CS FOR CS FOR HOUSE BILL NO. 101 (FIN) (relating to state taxation) pass the Senate?" The roll was taken with the following result:

SCS CSHB 101 FIN 3RD

Yeas:	20	Anderson, Bennett, Bradley, Colletta, Dankworthy, Eliason, Fahrenkamp, Ferguson, Fischer, Gilman, Kelly, Kerttula, Mulcahy, Parr, Ray, Rodey, Sackett, Stimson, Sturgulewski, Ziegler
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Nays:	0
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and so, SENATE CS FOR CS FOR HOUSE BILL NO. 101 (FIN) passed the Senate.

Senator Rodey moved and asked unanimous consent that the roll call on the passage of the above bill be considered the roll call on the effective date clause. Without objection, it was so ordered.

SENATE CS FOR CS FOR HOUSE BILL NO. 101 (FIN) was referred to the Secretary for engrossment.

SCS CSHB 101 (FIN)
ENGROSSED.

SENATE JOURNAL - PAGE 1146- 1 5/ 4/83

HB 101

SENATE JOURNAL - PAGE 1149- 1 5/ 5/83

Fiscal note on SENATE CS FOR CS FOR HOUSE BILL NO. 101 (FIN) appears in Senate Supplement No. 40 to the May 5 Journal.

HB 101 HOUSE JOURNAL - PAGE 1651- 1 5/ 5/82

Senate passed with amendment - SCS CSHB 101 (Fin).
Held for future consideration

HB 101 SENATE JOURNAL - PAGE 1149- 1 5/ 6/82

Fiscal note on SENATE CS FOR CS FOR HOUSE BILL NO. 101 (FIN) appears in Senate Supplement No. 40 to the May 5 Journal.

HB 101 HOUSE JOURNAL - PAGE 1768- 1 5/10/82

Failed to concur in Senate amendments 17-22-0-1

HB 101 SENATE JOURNAL - PAGE 1261- 1 5/11/82

Message of May 10 was read, stating the House has failed to concur in the Senate amendment to CS FOR HOUSE BILL NO. 101 (2d FIN) (relating to the motor fuel tax (AS 43.40)? eff. date), namely:

<SENATE CS FOR CS FOR HOUSE BILL NO. 101 (FIN)>
(relating to state taxation? eff. date)

and respectfully requests the Senate to recede from its amendment.

Senator Rodey moved that the Senate recede from its amendment and requested the body to vote no.

The question being: "Shall the Senate recede from its amendment to CS FOR HOUSE BILL NO. 101 (2d FIN)?" The roll was taken with the following result:

CSHB 101 RECEDE

Yeas: 0

Nays: 20 Anderson, Bennett, Bradley,
Colletta, Dankworth, Eliason,
Fahrenkamp, Ferguson, Fischer,
Gilman, Kelly, Keritula, Mulcahy,
Parr, Ray, Rodey, Sackett, Stimson,

Sturgulewski, Ziegler

and so, the Senate failed to recede from its amendment.

The President appointed the following members to a CONFERENCE COMMITTEE to meet with a like committee from the House to consider the above bills:

Senator Sturgulewski, Chairman
Senator Fischer
Senator Colletta

The Secretary was requested to notify the House.

FISCAL NOTE

I. REQUEST

Bill/Resolution Number: SCS for HB 101 (Finance)

Title: An Act making technical amendments related to state taxation and relating to the motor fuel tax.

Requested by: Rules/Governor

Date: April 28, 1982

II. FISCAL DETAIL

Agency Affected: Department of Revenue

Program Category Affected: Revenue Collection and Management

BRU, Program, or Subprogram(s) Affected: Audit Division

(Note: If more than one budget component is affected, separate line-item amounts and funding for each component in the analysis section.)

EXPENDITURES (Thousands of Dollars)

	FY 82	FY 83	FY 84	FY 85	FY 86	FY 87
100 PERSONAL SERVICES	-	22.0	23.5	25.0	27.0	29.5
200 TRAVEL	-	1.6	1.8	2.0	2.2	2.4
300 CONTRACTUAL	-	-	-	-	-	-
400 COMMODITIES	-	.5	-	-	-	-
500 EQUIPMENT	-	-	-	-	-	-
600 LAND & STRUCTURES	-	-	-	-	-	-
700 GRANTS, CLAIMS, ETC	-	-	-	-	-	-
800 MISCELLANEOUS	-	-	-	-	-	-
TOTAL	-	24.1	25.3	27.0	29.2	31.9

FUNDING (Thousands of Dollars)

	FY 82	FY 83	FY 84	FY 85	FY 86	FY 87
GENERAL FUND	-	24.1	25.3	27.0	29.2	31.9
FEDERAL FUNDS	-	-	-	-	-	-
OTHER (Specify Source)	-	-	-	-	-	-

POSITIONS

	FY 82	FY 83	FY 84	FY 85	FY 86	FY 87
FULL TIME	-	1	1	1	1	1
PART TIME	-	-	-	-	-	-
TEMPORARY	-	-	-	-	-	-

III. ANALYSIS (See Fiscal Note Preparation Instruction, Section III)

See analysis of bill attached.

IV. DATE: April 28, 1982

PREPARED BY: Robert R. Kessel

AGENCY: Audit Division

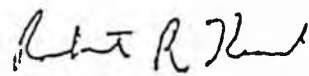
PHONE: 465-2320

Original: Legislative Finance

cc: Budget and Management

Prime Sponsor (First Legislator Named)

33-001 (Rev. 12/81)



STATE OF ALASKA
DEPARTMENT OF REVENUE

M E M O R A N D U M

TO: R. D. Stevenson
Special Assistant

FROM: Robert R. Kessel
Director, Audit Division *RU*

DATE: April 30, 1982

RE: CS for CS for HB 101

The attached contains a section-by-section analysis of Senate CS for CS for HB 101.

The Department of Revenue has had substantial input into the drafting of the bill and supports it.

RRK/gb

Department of Revenue
April 29, 1982

Analysis - SCS for HB 101 (Finance)

Other Than Motor Fuel

Section 1 of SCS for HB 101 provides that the Commissioner of Fish and Game must submit to the Commissioner of Revenue the names of developing commercial fish species not later than January 31 of each year rather than March 31. The bill also changes the period for which the lower tax rate applies from a fiscal year to a calendar year. The reporting period therefore is made to coincide with the tax year. Section 14 makes a date change to conform to Section 1 (from June 30, 1983, to January 31, 1983).

Section 2 of the bill changes the interest rate on delinquent taxes from eight percent to twelve percent a year. There has not been a change in interest rates since 1976 and this section brings the interest into closer conformity with the real world of interest rates. For example, CD's now go for 13% and IRS charges 20% for delinquent taxes.

The Department believes that taxpayers entitled to refunds should be entitled to an interest rate equivalent to that charged delinquent taxpayers.

Section 3 of the bill provides that equity by applying the interest rate of 12% to overpayments of tax.

Section 13 relates the interest rate for delinquent oil and gas property production to the rate charged for other taxes. The current rate is 6%. Legislative Audit recommended in SB 856 an increase in this interest rate.

Note: Sections 2, 3 and 13 have passed the Senate in CS for SB 856 using the 12% rate.

Section 15 of the bill relates to the Investment Tax Credit. There have been substantial changes in the investment tax credit for federal purposes as a result of the Economic Recovery Tax Act (ERTA) of 1981. The full 10% investment tax credit applies much more frequently than under previous federal law. Section 43.20.021 of the Alaska Statute provides that Internal Revenue provisions are not adopted for state purposes until the second January 1 following the effective date of the federal law. Section 15 of HB 93 speeds up that transition and essentially allows for the more liberal investment tax credits

sooner than would the current provisions of 43.20.021. Phil Payne of the Alaska Society of CPA's on behalf of their Tax Committee has requested this.

Section 15 of the bill creates a fiscal impact of \$700,000 per year. However, additional revenue resulting from the increased interest rate for delinquent taxpayers creates a wash situation. The Department believes that the additional revenues from interest will cancel out the \$700,000.

Section 17 repeals Section 43.20.172. That section requires that fish processors furnish the Department with names of persons from whom newly harvested fish were purchased. The names of these persons were then cross-checked against the income tax filers list. Since the individual income tax has been repealed there is no need for Section 43.20.172. Section 17 also repeals AS 44.62.330(a)(20). The Revenue Department has its own taxpayer remedy provisions in 43.05.240. Tobacco Tax is currently the only tax appealed under the Administrative Procedures Act. Section 17 would bring Tobacco Tax appeals under 43.05.240 and would provide for consistency in tax administration.

Motor Fuel

Section 4 provides that a dealer can sell or transfer motor fuel if he has a reasonable belief that the fuel is not to be used as motor fuel. If the tax is not collected, the dealer needs to obtain a certificate of use from the purchaser. The Department of Revenue must pursue collection of tax from the user if the ultimate consumption of fuel is for taxable use.

Section 5 of the bill contains clarifying language to the motor fuel tax law. If a purchaser of motor fuel uses motor fuel for non-highway use in a foreign country, the purchaser is entitled to a refund on that fuel which tax has been paid. The word DUTY is out of place since the purchaser must have paid the motor fuel tax and not a DUTY.

Section 6 allows for a refund of motor fuel tax if a person resells fuel to an exempt user (Federal Government, etc.) or for exempt use and if tax had been previously paid by that person reselling such fuel. The Section further allows that the reseller can claim a credit or refund directly from the supplier in lieu of claiming such refund from the Department of Revenue.

Sections 7 & 9 merely deal with the contents of the claim form when claiming a refund.

Section 8 addresses the time in which a claim for refund must be filed.

Section 10 modifies the definition of motor fuel by clarifying various exemptions.

Section 11 expands the definition of "user" and would allow the Department of Revenue to collect motor fuel tax from a fuel user in those instances when a dealer sells ex tax to a user under the premise of an exempt use and wherein the user actually uses the fuel for a taxable purpose.

Section 12 defines the term qualified dealer and allows the Department to effectively monitor bulk transfer exemption in the new AS 43.40.100(2)(G).

Section 16 deals with the administrative problem occurring as a result of the recent audits performed by the Department of Revenue on motor fuel distributors. Where there is a reasonable belief based upon the purchaser's representation or other evidentiary matter, the Department will reduce its audit assessments accordingly.

Sections 18-20 deal with effective dates.

STATE OF ALASKA

DEPARTMENT OF REVENUE

OFFICE OF THE COMMISSIONER

JAY S. HAMMOND, GOVERNOR

POUGH S
JUNEAU, ALASKA 99811
PHONE: (907) 465-2300

May 3, 1982

The Honorable Tim Kelly
Chairman
Senate Rules Committee
Room 101 - Capitol Building
Juneau, Alaska

Re: Senate CS for CS House Bill No. 101 (Finance)

Dear Senator Kelly:

Senate CS for CS for House Bill No. 101 (Finance), an Act relating to state taxation, was referred in the Senate on April 29, 1982 by the Senate Finance Committee to the Senate Rules Committee.

For the consideration of the Senate Rules Committee, I am enclosing a copy of a Fiscal Note prepared by Mr. Robert R. Kessel, Director, Audit Division, Department of Revenue concerning the Committee Substitute.

Sincerely,

R. D. Stevenson
Special Assistant

Enclosure

cc: Joseph K. Donohue
Deputy Commissioner
Department of Revenue

Robert R. Kessel, Director
Audit Division
Department of Revenue

water
aircraft
cars -

3.8

Introduced: 2/4/81
Referred: Resources and
Finance

1 IN THE HOUSE

BY ZHAROFF, GRUSSENDORF AND
BETTISWORTH

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HOUSE BILL NO. 101

IN THE LEGISLATURE OF THE STATE OF ALASKA
TWELFTH LEGISLATURE - FIRST SESSION

A BILL

For an Act entitled: "An Act repealing the tax on motor fuel used in or on watercraft; and providing for an effective date."

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

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

- (a) There is levied a tax of eight cents a gallon on all motor fuel sold or otherwise transferred within the state, except that
 - (1) the tax on aviation gasoline is four cents a gallon, and
 - [(2) THE TAX ON MOTOR FUEL USED IN AND ON WATERCRAFT OF ALL DESCRIPTIONS IS FIVE CENTS A GALLON, AND]
 - (3) the tax on all aviation fuel other than gasoline is two and one-half cents a gallon.

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

- (b) There is levied a tax of eight cents a gallon on all motor fuel consumed by a user, except that
 - (1) the tax on aviation gasoline consumed is four cents a gallon, and
 - [(2) THE TAX ON MOTOR FUEL USED IN AND ON WATERCRAFT OF ALL DESCRIPTIONS IS FIVE CENTS A GALLON, AND]
 - (3) the tax on all aviation fuel other than gasoline is two and one-half cents a gallon.

* Sec. 3. AS 43.40.010(g) is amended to read:

- (g) The proceeds of the revenue from the tax on all motor fuels, except as provided in (e) [, (f),] and (j) of this section, shall be deposited in a special highway fuel tax account in the state general

1 fund. The legislature may appropriate funds from it for expenditure by
2 the Department of Transportation and Public Facilities [PUBLIC WORKS]
3 directly or as matched with available federal-aid-highway money for
4 maintenance of highways, construction of highway projects and ferries
5 included in the program provided for in AS 19.10.150, including ap-
6 proaches, appurtenances and related facilities and acquisition of
7 rights of-way or easements, and other highway costs including surveys,
8 administration, and related matters. All departments of the state
9 government authorized to spend funds collected from taxes imposed by
10 this chapter [AS 43.40.010 - 43.40.100] shall perform, when feasible,
11 all construction or reconstruction projects by contract after the
12 projects have been advertised for competitive bids, except that, when
13 feasible, arrangements shall be made with political subdivisions to
14 carry out the construction or reconstruction projects. If it is not
15 feasible for the work to be performed by state engineering forces, the
16 commissioner of Transportation and Public Facilities [PUBLIC WORKS] may
17 contract on a professional basis with private engineering firms for
18 road design, bridge design, and services in connection with surveys.
19 If more than one private engineering firm is available for the work the
20 contracts shall be entered into on a negotiated basis.

21 * Sec. 4. AS 43.40.030(a)(2) is amended to read:

22 (2) the motor fuel is not aviation fuel [, OR MOTOR FUEL,
23 USED IN OR ON WATERCRAFT]; and

24 * Sec. 5. AS 43.40.100(2) is amended to read:

25 (2) "motor fuel" means fuel used in an engine for the pro-
26 pulsion of a motor vehicle or aircraft, and fuel used [IN AND ON WATER-
27 CRAFT FOR ANY PURPOSE, OR] in a stationary engine, machine or mechanical
28 contrivance which is run by an internal combustion motor; "motor fuel"
29 does not include

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- (A) fuel consigned to foreign countries,
- (B) fuel sold for use in jet propulsion aircraft operating in flights to foreign countries,
- (C) fuel used in stationary power plants operating as public utility plants and generating electrical energy for sale to the general public,
- (D) fuel used by nonprofit power associations or corporations for generating electric energy for resale,
- (E) fuel used by charitable institutions, [OR]
- (F) fuel which is at least 10 percent alcohol by volume, or
- (G) fuel used in and on watercraft for any purpose; [.]

* Sec. 6. AS 43.40.010(f) is repealed.

* Sec. 7. This Act takes effect [July 1, 1981.] *July 1, 1982*

STATE OF ALASKA

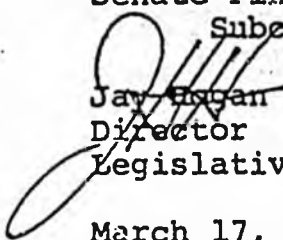
THE LEGISLATURE

BUDGET AND AUDIT COMMITTEE

FINANCE DIVISION
POUCH WF--STATE CAPITOL
JUNEAU, ALASKA 99811
PHONE: (907) 465-3795

MEMORANDUM

TO: Senator Arliss Sturgulewski
Chairman
Senate Finance Transportation
Subcommittee


FROM:  Jay Egan
Director
Legislative Finance

DATE: March 17, 1981

SUBJECT: Position control through appropriations

This memorandum assumes two things:

- (1) There exists a desire to have some legislative control over the size and growth rate of the state operating budget, and
- (2) The size and growth rate of the operating budget are in large part related to the number of state employees.

During the early and mid 1970's, the legislature had some degree of control over the number of state employees assigned to various state operations. During the regular session the finance committees received, reviewed, and approved, where appropriate, agency requests for new positions. During the interim and throughout the budget year, the Legislative Budget & Audit Committee received, reviewed, and approved, where appropriate, revised programs establishing new positions. This process disintegrated in May of 1978 with the Superior Court decision in Kelley v. Hammond, in which the court held that the Budget & Audit Committee could not approve or veto the establishment of positions (see attached partial summary judgment). The decision opened the gates for the establishment of new positions during the budget year via revised programs requiring approval only of the Director of Budget and Management. 

MEMORANDUM

March 17, 1981

Position control through appropriations

Page 2

The shortcomings of the currently-existing system are nowhere better illustrated than in RP 81-14x (attached). Through this RP, Central Region, Highways, established ten new positions for the current budget year, FY 1981, four days following adjournment of the Second Session of the Eleventh Legislature. According to the new rules of the game, legislative approval of these ten positions is now requested of this legislature in the FY 82 DOT operating budget.

At the request of the Senate Finance Committee, I sent a memo dated February 10, 1981, to all departments and agencies, requesting among other things the numbers, salaries, and positions requested in the FY 82 budget that had been established by revised program. I further requested an indication as to whether or not these positions were currently filled (memorandum attached). The responses to this request are still trickling in, but of particular interest is a memorandum from the Director of Budget and Management to all agencies, the first paragraph of which reads as follows:

The Governor's Office is concerned about the rapid growth of new positions in State Government. Many of these positions have been established by revised program. This fact reveals that many agencies have not done an adequate job of estimating their FY 81 staffing requirements. Ultimately this reflects on the quality of the Governor's budget.

(copy of memorandum attached).

Obviously, as long as the governor's budget office can authorize the establishment of new positions at will, there is no way the legislature can effectively control the number of state employees. In my view, the Executive Budget Act as currently written allows the legislature, if it wishes, to state as a condition of its appropriations that the amounts budgeted for personal services are for a specified number of positions and that that number may not be exceeded. In support of this AS 37.07.080(d) (attached) states:

MEMORANDUM

March 17, 1981

Position control through appropriations

Page 3

(d) No state agency may increase the salaries of its employees, employ additional employees, or expend money or incur obligations except in accordance with law and properly approved operations plan.

If adopted by the legislature, a policy of legislative position control would require the insertion of language conditioning those portions of appropriations budgeted for personal services with language similar to that shown in Sec. 3 from a State of Maine general appropriation act (copy attached). For all appropriations or allocations that include budgets for positions, we have for the past several years--for informational purposes only--included a parenthetical reference to the total number of permanent full time and part time positions approved. Under this proposal that parenthetical reference would shift from an "informational" item to a permanent position ceiling not to be exceeded except through an additional authorization for personal services contained in some other appropriation approved by the legislature.

Attachments

Alaska State Legislature

REPRESENTATIVE
FRED F. ZHAROFF
P.O. Box 405
KODIAK, ALASKA 99815
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House of Representatives

DISTRICT 14:

BELLSFLATS
CHINIAK
KODIAK
OUZINKIE

SECTIONAL ANALYSIS

HB 101 - Repeal Marine Fuel Tax

- Sec. 1. Repeals tax on dealer who sells or transfers marine fuel
- Sec. 2. Repeals tax on consumer
- Sec. 3. Technical amendments
- Sec. 4. Technical amendments
- Sec. 5. This excludes fuel used by watercraft from the definition of "motor fuel".
- Sec. 6. Repeals watercraft fuel tax account from the general fund.
- Sec. 7. Effentive date clause of July 1, 1981

THE LEGISLATURE OF THE STATE OF ALASKA
TWELFTH LEGISLATURE

FISCAL NOTE

I. REQUEST

Bill/Resolution No. HB 101

Title An Act repealing the tax on motor fuel used in or on watercraft.

Requested by House Resources Committee Date Feb. 7, 1981

II. FISCAL DETAIL

Agency Affected Department of Revenue

Program Category Affected Revenue Collection and Management

BRU, Program, or Subprogram(s) Affected Audit Division

(Note: If more than one budget component is affected, separate line-item amounts and funding for each component in the analysis section.)

EXPENDITURES (Thousands of Dollars) - NONE

	FY 81	FY 82	FY 83	FY 84	FY 85	FY 86
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL						
400 COMMODITIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC.						

TOTAL

FUNDING (Thousands of Dollars) - NONE

GENERAL FUND						
FEDERAL FUNDS						
OTHER (Specify Fund Source)						

POSITIONS - NONE

FULL TIME						
PART TIME						
TEMPORARY						

III. ANALYSIS (See Fiscal Note Preparation Instructions, Section III)

THE LEGISLATURE OF THE STATE OF ALASKA
TWELFTH LEGISLATURE

FISCAL NOTE

I. REQUEST

Bill/Resolution No. House Bill #101
 Title Act repealing the tax on motor fuel used in or on watercraft
 Requested by House Resources Committee Date 2/9/81

II. FISCAL DETAIL

Agency Affected _____
 Program Category Affected _____
 BRU, Program, or Subprogram(s) Affected _____
 (Note: If more than one budget component is affected, separate line-item amounts and funding for each component in the analysis section.)
EXPENDITURES (Thousands of Dollars)

	FY 81	FY 82	FY 83	FY 84	FY 85	FY 86
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL						
400 COMMODITIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC.						

TOTAL

Millions

FUNDING (Thousands of Dollars)

GENERAL FUND	-0-	(3.6)	(3.8)	(4.0)	(4.2)
FEDERAL FUNDS					
OTHER (Specify Fund Source)					

POSITIONS

FULL TIME					
PART TIME					
TEMPORARY					

Alaska State Legislature

REPRESENTATIVE
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House of Representatives

DISTRICT 14:

BELLSFLATS
CHINIAK
KODIAK
OJZINKIE

A recap of the following pages from the Department of Revenue's Source Book publications shows the amount of Marine Fuel Tax collected for the past few years and the estimated tax for FY 81 and FY 82.

<u>Fiscal Year</u>	<u>Actual</u>	<u>Estimate</u>
1977	1,400	
1978	2,100	
1979	2,600	
1980	3,200	
1981		3,400
1982		3,600

The proceeds from the Marine Fuel Tax are deposited in the Watercraft Fuel Tax Account in the general fund and may be appropriated for water and harbor facilities. However, this account is not tracked by municipalities, so it is impossible to compare the amount paid into the account by a municipality to what that municipality receives back for their water and harbor facilities.

General Fund Unrestricted Revenues

In Thousands of Current Dollars

	<u>FY 1980</u> <u>Actual</u>	<u>FY 1981</u> <u>Revised</u> <u>Estimate</u>	<u>FY 1982</u> <u>Estimate</u>
<u>Taxes</u>			
<u>Income</u>			
Corporate - General	17,900	35,000	36,000
Corporate - Petroleum	547,500	770,000	882,900
Fiduciary (1)	100	-0-	-0-
Individual (1)	100,500	-0-	-0-
<u>Gross Receipts</u>			
Alaska Business License	4,200	5,300	3,200
Fish - Canned Salmon (2)	4,300	12,100 (3)	6,600
Fish - Shoreland (2)	7,600	10,400 (3)	7,800
Fish - Floating (2)	2,700	4,000 (3)	3,100
Salmon Enhancement (4)	-0-	-0-	1,500
Insurance Companies	10,400	11,300	12,500
Other	2,100	2,600	2,900
<u>Severance</u>			
Gravel, Timber, etc.	1,600	1,300	3,000
Oil & Gas Production (5)	506,200	1,178,200	1,747,100
Oil & Gas Conservation	300	600	600
<u>Property</u>			
Oil & Gas	168,900	170,000	170,000
Vehicle Registration	100	200	200
<u>Sale/Use</u>			
Alcoholic Beverages	7,400	7,900	8,200
Fuel Taxes - Aviation	4,000	4,100	4,300
Fuel Taxes - Highway	18,900	18,500	20,900
Fuel Taxes - Marine	3,200 ✓	3,400	3,600
Tobacco Products	1,600	1,700	1,800
<u>Other</u>			
Estate	200	200	200
School (6)	2,600	-0-	-0-
Total Taxes	<u><u>1,412,300</u></u>	<u><u>2,236,800</u></u>	<u><u>2,916,400</u></u>
 <u>Licenses & Permits</u>			
<u>Business</u>	8,100	8,300	9,700
<u>Non-Business</u>	10,700	12,000	12,500
Total Licenses & Permits	<u><u>18,800</u></u>	<u><u>20,300</u></u>	<u><u>22,200</u></u>
 <u>Intergovernmental Receipts</u>			
<u>Federal Shared Revenues (5) (7)</u>	<u><u>4,800</u></u>	<u><u>19,400 (8)</u></u>	<u><u>8,000</u></u>
 <u>State Resource Revenue</u>			
<u>Sale/Use</u>			
Bonus Sales	342,400 (7) (9)	6,400 (10) (11) (12)	-0- (11)

28.8

Unrestricted Revenues

In Thousands of Current Dollars

	<u>FY 79</u>	<u>FY 80</u>	<u>FY 81</u>
<u>TAXES</u>	<u>ACTUAL</u>	<u>REVISED ESTIMATE</u>	<u>ESTIMATE</u>
<u>INCOME</u>			
Corporate - General	24,800	15,000	28,000
Corporate - Petroleum ⁽¹⁾	232,600 ⁽²⁾	402,000	558,000
Fiduciary	100	100	100
Individual	117,200	122,000	161,000
<u>GROSS RECEIPTS</u>			
Alaska Business License ⁽³⁾	28,200	4,000	3,000
Raw Fish ⁽⁴⁾	6,700	8,600	13,800
Cold Storage ⁽⁴⁾	3,300	8,700	12,600
Freezer Ship ⁽⁴⁾	1,900	3,600	4,900
Insurance Companies	10,800	12,400	14,300
Other	1,900	2,000	2,300
<u>SEVERANCE</u>			
Gravel, Timber, etc.	1,700	1,500	1,200
Oil and Gas Production ⁽⁵⁾	173,800	432,900	1,045,200
<u>PROPERTY</u>			
Oil and Gas	163,400	175,000	178,000
Vehicle Registration	200	100	200
<u>SALE/USE</u>			
Alcoholic Beverages	7,400	7,700	8,000
Fuel Taxes-Aviation	3,400	3,600	3,700
Fuel Taxes-Highway	16,300	18,400	19,000
Fuel Taxes-Marine	2,600 ✓	3,100	3,200
Tobacco Products	1,700	1,700	1,800
<u>OTHER</u>			
Estate	100	200	200
School	2,500	2,500	2,700
TOTAL TAXES	<u>800,600</u>	<u>1,225,100</u>	<u>2,061,200</u>
<u>LICENSES AND PERMITS</u>			
<u>BUSINESS</u>	7,500	8,500	8,500
<u>NON-BUSINESS</u>	12,300	11,300	12,400
TOTAL LICENSES & PERMITS	<u>19,800</u>	<u>19,800</u>	<u>20,900</u>
<u>INTERGOVERNMENTAL RECEIPTS</u>			
<u>FEDERAL SHARED REVENUES</u> ⁽⁶⁾	<u>4,100</u>	<u>4,000</u>	<u>4,000</u>

STATE RESOURCES REVENUE

<u>SALE/USE</u>			
Bonus Sales (6)	-0-	-0-	-0-
Investment Earnings	44,200	42,000	45,000
Rents (6)	2,300	2,800	2,500
Royalties (6)	149,600	223,200	270,200
Sale of State Property	1,900	1,800	4,200
<u>FACILITIES RELATED CHARGES</u>			
Airports	800	400	500
Ferry System (7)	15,600	19,600	23,100
All Other	4,000	3,600	4,000
<u>SERVICE RELATED CHARGES</u>			
Court System	2,800	2,900	3,100
All Other	1,700	1,600	300
TOTAL STATE RESOURCES REVENUE	<u>222,900</u>	<u>291,900</u>	<u>352,900</u>
<u>MISCELLANEOUS REVENUE</u>			
Returns, etc.	<u>3,900</u>	<u>3,900</u>	<u>3,900</u>
TOTAL UNRESTRICTED REVENUES	787,300	1,071,700	1,134,400
Less: Native Claims Payments	<u>22,400</u>	<u>41,600</u>	<u>50,800</u>
TOTAL TO THE STATE	<u>764,900</u>	<u>1,030,100</u>	<u>1,083,600</u>

(1) Ch. 110 SLA 1978 Effective July 9, 1978.

(2) Sec. 3 of Ch. 144 SLA 1978 Effective January 1, 1979 amended AS 43.60.030 to remove the gross receipts levy on all businesses with the exception of the net income tax for banks, trust companies and savings and loan associations and the business license fee itself.

(3) <u>COMMERCIAL FISH TAXES</u>	<u>1978</u>	<u>1979</u>	<u>1980</u>
Raw Fish	5,500	6,300	6,700
Cold Storage	2,300	2,700	2,700
Freezer Ship	500	1,000	800
TOTAL	<u>8,300</u>	<u>10,500</u>	<u>10,200</u>

(4) Reserves tax credit applied.

(5) <u>FUEL TAXES</u>	<u>1978</u>	<u>1979</u>	<u>1980</u>
Aviation	3,300	3,400	3,500
Highway	17,900	22,100	23,400
Marine	2,100 ✓	2,300	2,400
TOTAL	<u>23,300</u>	<u>27,800</u>	<u>29,300</u>

(6) Net of 25% Permanent Fund contribution.

(7) <u>FERRY SYSTEM</u>	<u>1978</u>	<u>1979</u>	<u>1980</u>
Southeast	14,000	17,500	20,900
Southwest	1,600	2,100	2,200
TOTAL	<u>15,600</u>	<u>19,600</u>	<u>23,100</u>

General Fund

	<u>1977</u>	<u>1978</u>		<u>1979</u>
	<u>ACTUAL</u>	<u>BUDGET ESTIMATE</u>	<u>REVISED ESTIMATE</u>	<u>ESTIMATE</u>
<u>TAXES</u>				
<u>INCOME</u>				
Corporate	35,772.1	53,440.0	44,600.0	65,600.0
Fiduciary	92.4	55.0	101.6	111.7
Individual	210,378.3	93,403.4	135,000.0	145,000.0
<u>GROSS RECEIPTS</u>				
Alaska Business License	23,252.2	17,422.5	21,800.0	20,400.0
Commercial Fish	6,203.1	3,896.0	7,830.5	8,489.7
Insurance Companies	8,063.2	6,750.0	8,200.0	8,500.0
Public Utilities	1,192.7	975.0	1,392.8	1,532.0
Other	65.2	50.0	71.7	78.8
<u>SEVERANCE</u>				
Gravel, Timber, Land, etc.	1,002.4	807.0	546.5	578.6
Oil and Gas Production (1)	23,758.4	113,469.0	113,500.0	176,000.0
<u>PROPERTY</u>				
Oil and Gas	139,140.7	168,300.0	168,300.0	170,600.0
Reserves (2)	270,626.5	-0-	-0-	-0-
Vehicle Registration (3)	-0-	198.4	198.6	202.4
<u>SALE/USE</u>				
Alcoholic Beverages	7,977.7	7,470.0	6,800.0	6,700.0
Fuel Taxes-Aviation	2,503.7	2,940.0	2,300.0	2,300.0
Fuel Taxes-Highway	16,745.2	18,113.7	13,200.0	12,800.0
Fuel Taxes-Marine	1,358.2 ✓	1,460.0	1,900.0	1,800.0
Tobacco Products	1,817.7	1,562.6	1,600.0	1,500.0
<u>OTHER</u>				
Death and Gift	193.1	125.0	213.0	234.3
School	2,588.6	2,511.0	2,100.0	2,100.0
TOTAL TAXES	<u>752,731.4</u>	<u>492,948.6</u>	<u>529,654.7</u>	<u>624,527.5</u>
<u>LICENSES AND PERMITS</u>				
<u>BUSINESS</u>				
Alcoholic Beverages	949.3	992.3	988.2	1,007.6
Amusements	107.3	85.6	118.0	129.7
Commercial Fishing (4)	836.1	694.2	1,157.3	1,081.9
General Corporation	1,126.1	1,010.8	1,165.7	1,225.0
Professional and Occupational	672.4	779.0	779.0	721.1
Regulatory	1,729.8	1,743.5	1,747.4	1,769.2
Other	43.2	39.9	41.1	43.5
<u>NON-BUSINESS</u>				
Fish and Game	48.9	66.7	47.9	49.5
Motor Vehicle-Operators	584.0	531.5	534.6	550.6
Motor Vehicle-Titles/Registration	10,020.4	12,251.2	11,505.0	11,350.1
Other	2.0	6.9	7.0	6.3
TOTAL LICENCES AND PERMITS	<u>16,119.5</u>	<u>18,201.6</u>	<u>18,091.2</u>	<u>17,934.5</u>
<u>INTERGOVERNMENTAL RECEIPTS</u>				
<u>FEDERAL SHARED REVENUE</u>				
Lands	511.0	564.0	3,520.0	3,255.2
Mineral Rents and Royalties (5)	1,985.6	3,054.2	1,450.8	1,381.9
Other	2.2	2.5	2.5	2.5
TOTAL INTERGOVERNMENTAL RECEIPTS	<u>2,498.8</u>	<u>3,620.7</u>	<u>4,973.3</u>	<u>4,639.6</u>

(2) \$4 for each 1,000 holes or fraction in each board with more than 2,000 holes. (§ 1 ch 116 SLA 1949; am § 1 ch 53 SLA 1951)

Sec. 43.35.110. Power to issue regulations. The department may issue orders and regulations necessary to carry out §§ 100—150 of this chapter. (§ 3 ch 116 SLA 1949; am § 1 ch 53 SLA 1951)

Sec. 43.35.120. Manner of paying tax. The tax shall be paid by purchasing stamps from the office of the Department of Revenue. The stamps shall be affixed to the punchboard before it is placed in use, and the operator of the punchboard shall endorse upon the stamp the serial number of the punchboard. (§ 2 ch 116 SLA 1949; am § 1 ch 53 SLA 1951)

Sec. 43.35.130. Refund to local governments. The department shall refund 75 per cent of the tax collected from sales of punchboards in an organized borough or city of the first, second, or third class to the local government. The balance shall be deposited in the general fund. (§ 6 ch 116 SLA 1949; am § 1 ch 53 SLA 1951; am § 3 ch 155 SLA 1962)

Sec. 43.35.140. Gambling not legalized. Sections 100—150 of this chapter do not legalize gambling. (§ 4 ch 116 SLA 1949; am § 1 ch 53 SLA 1951)

Cross reference. — As to limitations on authorized gaming activities, see AS 05.15.180.

Sec. 43.35.150. Violations and penalties. (a) It is unlawful for a person to (1) distribute in the state a punchboard for which the license tax provided in §§ 100—150 of this chapter is not paid; or (2) maintain for use, or permit the use of, in a place or premises occupied by the person a punchboard upon which the license stamp is not affixed.

(b) A person violating a provision of §§ 100—150 of this chapter is guilty of a misdemeanor, and upon conviction is punishable by a fine of not more than \$500. (§ 5 ch 116 SLA 1949; am § 1 ch 53 SLA 1951)

Chapter 40. Motor Fuel Tax.

Article

1. General Tax Levy on Transfers or Consumption of Motor Fuel (§§ 43.40.010 — 43.40.100)
2. Additional Tax Levy on Transfers or Consumption of Motor Fuel (Repealed)

Article 1. General Tax Levy on Transfers or Consumption of Motor Fuel.

Section

10. Tax on transfers or consumption of motor fuel and expenditure of proceeds

Section

20. Penalty for violation
30. Refund for nonhighway use
40. Applications and permits for refund

Section

50. Refund claim by affidavit
 60. Separate invoices
 70. Refund warrants
 80. Examination of books and records

Section

85. Preservation of books and records
 90. Criminal violation
 100. Definitions

Sec. 43.40.010. Tax on transfers or consumption of motor fuel and expenditure of proceeds. (a) There is levied a tax of eight cents a gallon on all motor fuel sold or otherwise transferred within the state, except that

- (1) the tax on aviation gasoline is four cents a gallon,
- (2) the tax on motor fuel used in and on watercraft of all descriptions is five cents a gallon, and
- (3) the tax on all aviation fuel other than gasoline is two and one-half cents a gallon.

(b) There is levied a tax of eight cents a gallon on all motor fuel consumed by a user, except that

- (1) the tax on aviation gasoline consumed is four cents a gallon,
- (2) the tax on motor fuel used in and on watercraft of all descriptions is five cents a gallon, and
- (3) the tax on all aviation fuel other than gasoline is two and one-half cents a gallon.

(c) Every dealer who sells or otherwise transfers motor fuel in the state shall collect the tax at the time of sale, and remit the total tax collected during each calendar month of each year to the Department of Revenue by the last day of each succeeding month. Every user shall likewise remit the tax accrued on motor fuel actually used by him during each month. At the time the remittance is made, each dealer or user shall submit a statement to the Department of Revenue showing all motor fuel which he has distributed or used during the month.

(d) Repealed by § 3 ch 166 SLA 1976.

(e) Sixty per cent of the proceeds of the revenue from the taxes on aviation fuel, excluding the amount determined to have been spent by the state in its collection, shall be refunded to a municipality owning and operating or leasing and operating an airport in the proportion that the revenue was collected at the municipal airport. All other proceeds of the taxes on aviation fuel shall be paid into a special aviation fuel tax account in the state general fund. The legislature may appropriate funds from this account for aviation facilities.

(f) The proceeds from the revenue from the tax on motor fuel used in boats and watercraft of all descriptions shall be deposited in a special watercraft fuel tax account in the general fund. The legislature may appropriate from this account for water and harbor facilities.

(g) The proceeds of the revenue from the tax on all motor fuels, except as provided in (e), (f), and (j) of this section, shall be deposited in a special highway fuel tax account in the state general fund. The legislature may appropriate funds from it for expenditure by the Department of Public Works directly or as matched with available federal-aid highway money

for maintenance of highways, construction of highway projects and ferries included in the program provided for in AS 19.10.150, including approaches, appurtenances and related facilities and acquisition of rights-of-way or easements, and other highway costs including surveys, administration, and related matters. All departments of the state government authorized to spend funds collected from taxes imposed by §§ 10—100 of this chapter shall perform, when feasible, all construction or reconstruction projects by contract after the projects have been advertised for competitive bids, except that, when feasible, arrangements shall be made with political subdivisions to carry out the construction or reconstruction projects. If it is not feasible for the work to be performed by state engineering forces, the commissioner of [public works] may contract on a professional basis with private engineering firms for road design, bridge design, and services in connection with surveys. If more than one private engineering firm is available for the work the contracts shall be entered into on a negotiated basis.

(h) All motor fuel tax receipts shall be paid into the general fund and distributed to the proper accounts in the general fund. Valid motor fuel tax refund claims shall be paid from the highway fuel tax account in the general fund.

(i) Within 30 days after the legislature convenes the Department of Public Works shall submit an annual budget covering anticipated revenues and their expenditure, for the consideration and approval by the legislature. The budget shall cover all money collected or anticipated to be collected under §§ 10—100 of this chapter for the year following the adjournment of each regular session of the legislature.

(j) The proceeds from the tax on motor fuel used in snow vehicles and, unless a tax refund is applied for under § 40 of this chapter, other internal combustion engines not used in or in conjunction with a motor vehicle licensed to be operated on public ways shall be deposited in a special nonpublic highway use account in the general fund. The legislature may appropriate from this account to the Department of Highways for trail staking and shelter construction and maintenance.

(k) The tax on the transfer or consumption of motor fuel provided for in this section does not apply to liquified petroleum gas. (§ 48-5-2 ACLA 1949; am § 1 ch 80 SLA 1951; am § 1 ch 47 SLA 1955; am §§ 1, 2 ch 27 SLA 1957; am § 1 ch 134 SLA 1957; am § 1 art VI title II ch 152 SLA 1957; am § 2 art V title III ch 152 SLA 1957; am § 2 ch 124 SLA 1959; am §§ 1, 2 ch 20 SLA 1960; am § 1 ch 150 SLA 1960; am § 1 ch 110 SLA 1961; am § 1 ch 136 SLA 1961; am §§ 1—3 ch 131 SLA 1962; am § 1 ch 130 SLA 1968; am § 10 ch 143 SLA 1968; am §§ 1, 2 ch 216 SLA 1968; am §§ 1—3 ch 158 SLA 1970; am § 3 ch 58 SLA 1971; am §§ 1, 2 ch 124 SLA 1971; am §§ 2, 3 ch 125 SLA 1971; am §§ 1—3 ch 153 SLA 1972; am § 3 ch 166 SLA 1976; am §§ 1, 2 ch 116 SLA 1977)

Cross reference. — For civil penalty imposed for failure to file a return or report, or pay the full amount of a tax, or a portion or a deficiency of the tax, see AS 43.05.220.

Effect of amendments. — The 1976 amendment repealed subsection (d), which provided for an additional amount to be added to the tax for failure to file a return and remit the tax within the time prescribed by law or prescribed by the department pursuant to law, due to wilful neglect.

The 1977 amendment rewrote paragraph (2) of subsection (a) and paragraph (2) of subsection (b).

Editor's note. — Section 1, ch. 125, SLA 1971, provides: "Intent. The intent of this Act is to provide funds for trail staking and shelter construction and maintenance projects in sparsely populated areas where the interests of safety require their establishment for the protection of traveling citizens of the state."

Purpose of subsection (g). — The purpose of the dedication of the taxes on motor fuels contained in subsection (g) of this section is public highways. 1959 Op. Att'y Gen., No. 9.

A proposed alteration going to the geographical area of expenditure rather

than to the special purpose of a dedication, does not contravene the constitution. 1959 Op. Att'y Gen., No. 9.

Amendment of 1957 effected no change in dedication. — The 1957 amendment to this section, which reduced the tax on motor fuel used in commercial fishing crafts for purposes of commercial fishing from five cents to two cents per gallon, effected no change in the dedication inasmuch as the reduction in the tax was coupled with an exemption from the refund of three cents per gallon formerly allowed to users of fuel in commercial fishing craft for commercial purposes. Nothing has been done which increased or decreased the dedication. 1959 Op. Att'y Gen., No. 14.

Civil Air Patrol exempt. — The Civil Air Patrol is exempt from taxation under the Alaska Motor Fuel Oil Tax Act because it is an instrumentality of the federal government. 1961 Op. Att'y Gen., No. 26.

But volunteer members of Civil Air Patrol are not exempt. 1961 Op. Att'y Gen. No. 26.

Am. Jur. and C.J.S. references. — 51 Am. Jur., Taxation, §§ 1260 to 1279. 53 C.J.S. Licenses § 30.

Sec. 43.40.020. Penalty for violation. (a) A person who violates a provision of §§ 10—100 of this chapter upon conviction is punishable for each violation by a fine of not less than \$50 nor more than \$5,000, or by imprisonment for not more than one year, or by both. Each day's violation is a separate offense.

(b) Repealed by § 3 ch 116 SLA 1977. (§ 48-5-3 ACLA 1949; am § 4 ch 153 SLA 1972; am § 3 ch 116 SLA 1977)

Effect of amendment. — The 1977 amendment repealed subsection (b), which read "A person who claims the nonpropulsion use fuel tax exemption under § 10 (a) (2) or § 10 (b) (2) of this chapter and who uses a portion of the

amount of the exempted fuel for another purpose is guilty of a misdemeanor, and is punishable by a fine of not more than \$5,000."

C.J.S. reference. — 53 C.J.S. Licenses § 62.

Sec. 43.40.030. Refund for nonhighway use. (a) Except as specified in § 10 (j) of this chapter, a person who uses motor fuel to operate an internal combustion engine is entitled to a refund of six cents a gallon if

- (1) the tax on the motor fuel has been paid;
- (2) the motor fuel is not aviation fuel, or motor fuel used in or on watercraft; and
- (3) the internal combustion engine is not used in or in conjunction with a motor vehicle licensed to be operated on public ways.

(b) The entire tax levied by §§ 10—100 of this chapter shall be refunded to the purchaser on that part of the motor fuel used in a foreign country on which duty is paid when the fuel is sold and delivered in the state for nonhighway use in a foreign country.

(c) The Department of Revenue shall establish the necessary regulations and prescribe the appropriate forms to prove that the motor fuel is taken to and used in foreign countries. (§ 2 ch 47 SLA 1955; am § 3 ch 27 SLA 1957; am § 2 ch 136 SLA 1961; am § 4 ch 158 SLA 1970; am § 3 ch 124 SLA 1971; am § 4 ch 125 SLA 1971; am § 4 ch 116 SLA 1977)

Effect of amendment. — The 1977 amendment substituted "or on watercraft" for "an engine to propel a boat or watercraft, including motor fuel which may be used for heating and cooking aboard boats and watercraft" in paragraph (2) of subsection (a).

Editor's note. — Section 1, ch. 125, SLA 1971, provides: "Intent. The intent of this

Act is to provide funds for trail staking and shelter construction and maintenance projects in sparsely populated areas where the interests of safety require their establishment for the protection of traveling citizens of the state."

Sec. 43.40.040. Applications and permits for refund. A person who desires to claim a refund shall obtain an annual permit from the Department of Revenue by application on a form prescribed by the department. The application shall contain the name, address, and occupation of the applicant, the nature of the business, and a sufficient description for identification of the machines or equipment in which the motor fuel is to be used for which refund may be claimed under the permit. The permit shall be obtained no later than the time that the first application for refund is made under §§ 10—100 of this chapter. The permit expires at midnight of June 30 following the date it is issued. (§ 3 ch 47 SLA 1955; am § 4 ch 131 SLA 1962)

Sec. 43.40.050. Refund claim by affidavit. (a) A person who claims a refund as provided in §§ 10—100 of this chapter shall present his claim to the commissioner of revenue by affidavit upon a form provided by the commissioner with the information the commissioner requires. The claim shall be accompanied by each invoice issued to the claimant at the time the motor fuel is purchased. The commissioner may require any additional information which he considers necessary for the administration of §§ 10—100 of this chapter.

(b) A claim for refund shall be filed within one year from the date of the purchase of the motor fuel as indicated on the invoice, and failure to file within the one year period is a waiver of the right to the refund. A claim is considered to be filed when the claim is mailed or personally presented to an office of the Department of Revenue. (§ 4 ch 47 SLA 1955; am § 1 ch 139 SLA 1960)

Sec. 43.40.060. Separate invoices. The Department of Revenue may require the issuance of separate invoices for fuel sold, distributed, or transferred when the invoices will be the basis for a refund claim. (§ 6 ch 47 SLA 1955)

Sec. 43.40.070. Refund warrants. Upon approval of a refund claim by the Department of Revenue, a warrant shall be drawn on the highway fuel tax account in the general fund in favor of the applicant in the amount of the claim. (§ 7 ch 47 SLA 1955; am § 5 ch 131 SLA 1962)

Sec. 43.40.080. Examination of books and records. (a) To determine the validity of a claim for refund, the Department of Revenue may examine the books and records of the claimant and the books and records of a distributor of motor fuel. The Department of Revenue may cancel the refund permit of the claimant relying upon a fraudulent invoice for a period of not more than one year.

(b) If an invoice relied upon for a refund claim is fraudulent, the claimant is guilty of a misdemeanor and is punishable by a fine of not more than \$500. (§ 5 ch 47 SLA 1955)

Sec. 43.40.085. Preservation of books and records. Dealers and users shall preserve for three years all books and records pertaining to sales, transfers, and uses of motor fuel which are taxed under this chapter. (§ 5 ch 158 SLA 1970)

Sec. 43.40.090. Criminal violation. A person who uses motor fuel with knowledge that the tax has not been paid is guilty of a misdemeanor, and is punishable by a fine of not more than \$500, or by imprisonment for not more than one year, or by both. (§ 11 ch 47 SLA 1955; am § 4 ch 27 SLA 1957)

C.J.S. reference. — 53 C.J.S. Licenses
§ 66.

Sec. 43.40.100. Definitions. In §§ 10—100 of this chapter

(1) "dealer" means a person who sells or otherwise transfers in this state motor fuel upon which the taxes imposed by this chapter have not been paid;

(2) "motor fuel" means fuel used in an engine for the propulsion of a motor vehicle or aircraft, and fuel used in and on watercraft for any purpose, or in a stationary engine, machine or mechanical contrivance which is run by an internal combustion motor; "motor fuel" does not include

(A) fuel consigned to foreign countries,

(B) fuel sold for use in jet propulsion aircraft operating in flights to foreign countries,

(C) fuel used in stationary power plants operating as public utility plants and generating electrical energy for sale to the general public,

(D) fuel used by nonprofit power associations or corporations for generating electric energy for resale, or

(E) fuel used by charitable institutions;

(3) "user" means a person consuming or using motor fuel, who either purchases the fuel out of the state and ships it into the state for his own use within the state or manufactures the fuel in the state. (§ 48-5-1 ACLA 1949; am § 1 ch 56 SLA 1949; am § 9 ch 47 SLA 1955; am § 26 ch 70 SLA 1964; am §§ 6, 7 ch 158 SLA 1970; am § 1 ch 74 SLA 1972; am § 5 ch 116 SLA 1977)

Cross reference. — See editor's note to AS 08.04.380.

Effect of amendment. — The 1977 amendment in paragraph (2), added the subparagraph designations, substituted "or aircraft, and fuel used in and on watercraft for any purpose" for "aircraft, boat or watercraft", "run" for "propelled", and "motor fuel does not include" for "except on consignments of motor" in the

introductory paragraph, substituted "consigned" for "oil" in present subparagraph (A), substituted "fuel sold" for "except motor fuel oil sold" in present subparagraph (B), deleted "and except" preceding "fuel used" and "or" following "general public" in present subparagraph (C), and inserted "fuel used" at the beginning of present subparagraphs (D) and (E).

Article 2. Additional Tax Levy on Transfers or Consumption of Motor Fuel.

Section

110—120. [Repealed]

Secs. 43.40.110—43.40.120.

Repealed by § 8 ch 158 SLA 1970.

Editor's note. — The repealed sections derived from chs. 62, 63, SLA 1960; ch. 52, SLA 1961; ch. 131, SLA 1962.

Chapter 43. Disaster Taxes.

Article

1. Disaster Relief Tax (Repealed)
2. Disaster Severance Tax (Repealed)

Article 1. Disaster Relief Tax.

Section

10—60. [Repealed]

Secs. 43.43.010 —43.43.060.

Repealed by § 1 ch 48 SLA 1969.

Editor's note. — The repealed article derived from § 1, ch. 27, FSSLA 1967.

Secs. 43.31.360 — 43.31.390.

Repealed by § 46 ch 113 SLA 1980.

Cross reference. — For present provisions concerning criminal penalties, see AS 43.05.290. Editor's note. — The repealed sections derived from § 2, ch. 24, SLA 1970.

Chapter 35. Coin-Operated Devices and Punchboards.

Article 1. Coin-Operated Amusement and Gaming Devices.

Section

80. [Repealed]

Sec. 43.35.080. Penalties.

Repealed by § 46 ch 113 SLA 1980.

Cross references. — For present provisions concerning civil penalties, see AS 43.05.220. For present provisions concerning criminal penalties, see AS 43.05.290. Editor's note. — The repealed section derived from § 48-3-3 ACLA 1949; § 3, ch. 142, SLA 1960; § 2, ch. 58, SLA 1971.

Chapter 40. Motor Fuel Tax.

Article 1. General Tax Levy on Transfers or Consumption of Motor Fuel.

Section

20. [Repealed]
30. Refund for nonhighway use
40. [Repealed]
50. Refund claim by affidavit

Section

80. Examination of books and records
90. [Repealed]
100. Definitions

Sec. 43.40.020. Penalty for violation.

Repealed by § 46 ch 113 SLA 1980.

Cross reference. — For present provisions concerning criminal penalties, see AS 43.05.290. Editor's note. — The repealed section derived from § 48-5-3, ACLA 1949; § 4, ch. 153, SLA 1972; § 3, ch. 116, SLA 1977.

Sec. 43.40.030. Refund for nonhighway use.

(b) The entire tax levied by this chapter shall be refunded to the purchaser on that part of the motor fuel used in a foreign country on which duty is paid when the fuel is sold and delivered in the state for nonhighway use in a foreign country.

(d) If a person obtains motor fuel on which the tax levied by this chapter has been paid and the motor fuel is exempt from the tax, the person is entitled to a refund of the tax paid.

(am §§ 35, 36 ch 113 SLA 1980)

Effect of amendment.

The 1980 amendment, effective June 21, 1980, and retroactive to January 1, 1980, substituted "this chapter" for "AS 43.40.010 — 43.40.100" in subsection (b), and added subsection (d).

As the rest of the section was not

affected by the amendment, it is not set out.

Editor's note. — Section 52, ch. 113, SLA 1980, effective June 21, 1980, makes this section applicable to tax years beginning after December 31, 1979.

Sec. 43.40.040. Applications and permits for refund.

Repealed by § 45 ch 113 SLA 1980.

Cross reference. — For present provisions concerning contents of applications for refunds, see AS 43.40.050(a).

Editor's note. — The repealed section derived from § 3, ch. 47, SLA 1955; § 4, ch. 131, SLA 1962.

Section 52, ch. 113, SLA 1980, effective June 21, 1980, makes the repeal of this section applicable to tax years beginning after December 31, 1979.

Sec. 43.40.050. Refund claim by affidavit. (a) A person who claims a refund as provided in this chapter shall present his claim to the commissioner of revenue by affidavit upon a form provided by the commissioner. The claim shall include the name, address and occupation of the applicant, the nature of the business of the applicant, and a description sufficient to identify the machinery or equipment in which the motor fuel for which the refund is claimed was used. The claim shall be accompanied by each invoice issued to the claimant at the time the motor fuel was purchased. The commissioner may require any additional information which he considers necessary for the administration of this chapter.

(am § 37 ch 113 SLA 1980)

Effect of amendment. — The 1980 amendment, effective June 21, 1980, and retroactive to January 1, 1980, in subsection (a), substituted "this chapter" for "AS 43.40.010 — 43.40.100" at the beginning and at the end of the subsection, substituted the present second sentence for the former material, which read: "with the information the commissioner requires", and substituted "was" for "is"

preceding "purchase" at the end of the present third sentence.

As the rest of the section was not affected by the amendment, it is not set out.

Editor's note. Section 52, ch. 113, SLA 1980, effective June 21, 1980, makes this section applicable to tax years beginning after December 31, 1979.

Sec. 43.40.080. Examination of books and records. (a) To determine the validity of a claim for refund, the Department of Revenue may examine the books and records of the claimant and the books and records of a distributor of motor fuel. The Department of Revenue may cancel the refund permit of the claimant relying upon a fraudulent invoice for a period of not more than one year.

(b) Repealed by § 46 ch 113 SLA 1980. (§ 5 ch 47 SLA 1955; am § 46 ch 113 SLA 1980)

Effect of amendment. — The 1980 amendment, effective June 21, 1980, repealed subsection (b).

Sec. 43.40.090. Criminal violation.

Repealed by § 46 ch 113 SLA 1980.

Cross reference. — For present provisions concerning criminal penalties, see AS 43.05.290.

Editor's note. — The repealed section derived from § 11, ch. 47, SLA 1955; § 4, ch. 27, SLA 1957.

Sec. 43.40.100. Definitions. In AS 43.40.010 — 43.40.100

(2) "motor fuel" means fuel used in an engine for the propulsion of a motor vehicle or aircraft, and fuel used in and on watercraft for any purpose, or in a stationary engine, machine or mechanical contrivance which is run by an internal combustion motor; "motor fuel" does not include

- (A) fuel consigned to foreign countries,
 - (B) fuel sold for use in jet propulsion aircraft operating in flights to foreign countries,
 - (C) fuel used in stationary power plants operating as public utility plants and generating electrical energy for sale to the general public,
 - (D) fuel used by nonprofit power associations or corporations for generating electric energy for resale,
 - (E) fuel used by charitable institutions, or
 - (F) [Effective January 1, 1981] fuel which is at least 10 percent alcohol by volume.
- (am § 10 ch 83 SLA 1980)

Effect of amendment. — The 1980 amendment, effective January 1, 1981, added subparagraph (F) in paragraph (2).

As the rest of the section was not affected by the amendment, it is not set out.

Chapter 45. School Tax.

Section 10—60. [Repealed]

Editor's note. — The repealed chapter derived from §§ 37-4-3 — 37-4-6, ACL 1949; § 1, ch. 41, SLA 1957; § 1, ch. 175, SLA 1957; § 1, ch. 149, SLA 1959; §§ 1—5, ch. 179, SLA 1960; § 111, ch. 127, SLA 1974.

Section 3, ch. 64, SLA 1980, effective June 13, 1980, makes the repeal of this chapter applicable to tax years beginning after December 31, 1979.

Section 4, ch. 64, SLA 1980, effective June 13, 1980, provides: "The Department

THE LEGISLATURE OF THE STATE OF ALASKA
TWELFTH LEGISLATURE

After bill reported out
of HFC

FISCAL NOTE

I. REQUEST

Bill/Resolution No. CSHB 101 (Finance)
Title An Act repealing the tax on motor fuel used in or on
watercraft Date 2-8-82

Requested by: Finance Committee

II. FISCAL DETAIL

Agency Affected Department of Revenue
Program Category Affected Revenue Collection and Management
BRU, Program, Or Subprogram(s) Affected Audit Division
(Note: If more than one budget component is affected, separate line-item amounts and funding for each component in the analysis section.)

EXPENDITURES (Thousands of Dollars)

	FY 82	FY 83	FY 84	FY 85	FY 86	FY 87
100 PERSONAL SERVICES		22.0	23.5	25.0	27.0	29.5
200 TRAVEL		1.6	1.8	2.0	2.2	2.4
300 CONTRACTUAL						
400 COMMODITIES						
500 EQUIPMENT		.5				
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC.						
TOTAL		24.1	25.3	27.0	29.2	31.9

FUNDING (Thousands of Dollars)

	FY 82	FY 83	FY 84	FY 85	FY 86	FY 87
GENERAL FUND		24.1	25.3	27.0	29.2	31.9
FEDERAL FUNDS						
OTHER (Specify Source)						

POSITIONS

	FY 82	FY 83	FY 84	FY 85	FY 86	FY 87
FULL TIME		1	1	1	1	1
PART TIME						
TEMPORARY						

III. ANALYSIS (See Fiscal Note Preparation Instruction, Section III)

This bill would remove fuel used in or on watercraft from the motor fuel tax. See attached copy of memo to R. D. Stevenson.

IV. DATE February 11, 1982 PREPARED BY Robert R. Kessel
AGENCY Department of Revenue - Audit
Original: Legislative Finance PHONE 465-2320
cc: Budget and Management
Prime Sponsor (First Legislator Named)
33-001 (Rev. 12/81)

MEMORANDUM

State of Alaska
Department of Revenue

TO: R. D. Stevenson
Special Assistant
Department of Revenue

DATE: February 8, 1982

FILE NO:

TELEPHONE NO:

FROM: Robert R. Fessel *RR*
Director, Audit Division

SUBJECT: CSHB 101 (Finance)

CSHB 101 would restructure the motor fuel law to remove fuel used in a watercraft from the definition of motor fuel.

HB 101, along with SB 182, was introduced during the 1981 session and provided substantially the same changes as CSHB 101. Gary Jenkins, previous Audit Director, determined that there would be no fiscal impact for either HB 101 or SB 182. The Division now believes that there would be a fiscal impact.

If the motor fuel tax is removed from water craft, an enforcement problem could develop for the remaining motor fuel tax law. That is simply because the various fuels used in watercraft, i.e. diesel, kerosene and gasoline, can be used in other taxable manners. The elimination of fuel tax from watercraft would then provide another possible avenue for avoidance of the fuel tax unless the Revenue Department were able to provide stringent enforcement policies via additional manpower.

The proceeds from the revenue from the tax on motor fuel used in boats and watercraft of all descriptions are deposited in a special watercraft fuel tax account in the general fund and may be appropriated for water and harbor facilities. Therefore, there would apparently be some impact on such facilities if this bill became law. The extent of that impact cannot be ventured by the Audit Division.

RRK/gb

THE LEGISLATURE OF THE STATE OF ALASKA
TWELFTH LEGISLATURE

FISCAL NOTE

I. REQUEST
 Bill/Resolution No. CSHB 101 (Finance)
 Title Act repealing marine fuel tax
 Requested by House Rules Committee Date 2/3/82

II. FISCAL DETAIL
 Agency Affected _____
 Program Category Affected _____
 BRU, Program, Or Subprogram(s) Affected _____
 (Note: If more than one budget component is affected, separate line-item amounts and funding for each component in the analysis section.)

EXPENDITURES (Thousands of Dollars)

	FY 82	FY 83	FY 84	FY 85	FY 86	FY 87
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL						
400 COMMODITIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC.						
TOTAL						

FUNDING (Thousands of Dollars)

GENERAL FUND		(3,800)	(4,000)	(4,200)		
FEDERAL FUNDS						
OTHER (Specify Source)						

POSITIONS

FULL TIME						
PART TIME						
TEMPORARY						

III. ANALYSIS (See Fiscal Note Preparation Instruction, Section III)

The above figures are derived from the Department of Revenue's forecasting model, and represent the loss to the General Fund if CSHB 101 (Finance) is enacted.

IV. DATE 2/3/82 PREPARED BY Robert W. Elliott
 AGENCY Department of Revenue
 Original: Legislative Finance PHONE 465-2173
 cc: Budget and Management
Prime Sponsor (First Legislator Named)
 33-001 (Rev. 12/81)

11B37

THE LEGISLATURE OF THE STATE OF ALASKA
TWELFTH LEGISLATURE

FISCAL NOTE

I. REQUEST
 Bill/Resolution No. CSHB37 / CSHB 101 (Rules)
 Title An Act relating to the motor fuel tax
 Requested by Randolph, Beirne, Bettisworth Date 3-8-82

II. FISCAL DETAIL
 Agency Affected Department of Revenue
 Program Category Affected Revenue Collections and Management
 BRU, Program, Or Subprogram(s) Affected Audit Division
 (Note: If more than one budget component is affected, separate line-item amounts and funding for each component in the analysis section.)

EXPENDITURES (Thousands of Dollars)

	FY 82	FY 83	FY 84	FY 85	FY 86	FY 87
100 PERSONAL SERVICES		22.0	23.5	25.0	27.0	29.5
200 TRAVEL		1.6	1.8	2.0	2.2	2.4
300 CONTRACTUAL						
400 COMMODITIES		.5				
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC.						
TOTAL		24.1	25.3	27.0	29.2	31.9

FUNDING (Thousands of Dollars)

	FY 82	FY 83	FY 84	FY 85	FY 86	FY 87
GENERAL FUND		24.1	25.3	27.0	29.2	31.9
FEDERAL FUNDS						
OTHER (Specify Source)						

POSITIONS

	FY 82	FY 83	FY 84	FY 85	FY 86	FY 87
FULL TIME		1	1	1	1	1
PART TIME						
TEMPORARY						

III. ANALYSIS (See Fiscal Note Preparation Instruction, Section III)

See attached memo to R. D. Stevenson dated 3-9-82.

Robert R. Kessel

IV. DATE March 9, 1982 PREPARED BY Robert R. Kessel
 AGENCY Audit Division
 Original: Legislative Finance PHONE 465-2320
 cc: Budget and Management
Prime Sponsor (First Legislator Named)
 33-001 (Rev. 12/81)

THE LEGISLATURE OF THE STATE OF ALASKA
TWELFTH LEGISLATURE

FISCAL NOTE

I. REQUEST

Bill/Resolution No. CSHB 37 / CSHB 101 (Rules)
 Title An Act relating to the motor fuel tax
 Requested by Randolph, Beirne, Bettisworth Date 3-9-82

II. FISCAL DETAIL

Agency Affected Department of Revenue
 Program Category Affected Revenue Collection and Management
 BRU, Program, Or Subprogram(s) Affected Audit Division
 (Note: If more than one budget component is affected, separate line-item amounts and funding for each component in the analysis section.)

EXPENDITURES (Thousands of Dollars) None

	FY 82	FY 83	FY 84	FY 85	FY 86	FY 87
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL						
400 COMMODITIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC.						
TOTAL						

FUNDING (Thousands of Dollars)

GENERAL FUND		(1.4)	(1.4)			
FEDERAL FUNDS						
OTHER (Specify Source)						

POSITIONS

None

FULL TIME						
PART TIME						
TEMPORARY						

III. ANALYSIS (See Fiscal Note Preparation Instruction, Section III)

See attached copy of memo to R. D. Stevenson dated March 9, 1982.

IV. DATE March 9, 1982 PREPARED BY Robert R. Kessel
 AGENCY Audit Division
 Original: Legislative Finance PHONE 465-2320
 cc: Budget and Management
Prime Sponsor (First Legislator Named)
 33-001 (Rev. 12/81)

Robert R. Kessel

MEMORANDUM

State of Alaska
Department of Revenue

TO: R. D. Stevenson
Special Assistant

DATE: March 9, 1982

FILE NO:

TELEPHONE NO:

FROM: Robert R. Kessel ^{RR}
Director, Audit Division

SUBJECT: Work Draft -
CSHB 37/CSHB 101 (Rules)

The work draft would allow motor fuel dealers (distributors/jobbers) to buy a portion of their fuel tax free from the manufacturer/ supplier and would allow the distributor to sell that same portion to consumers tax free in those instances when such consumption is for exempt use. Exempt use includes a) fuel used for heating purposes and b) fuel used by exempt organizations such as the Federal Government, State agencies, charitable organizations, etc.

The distributors/jobbers must provide the manufacturer/supplier with a certificate of use for ex-tax purchases. The distributors/jobbers must obtain a certificate of use from every person purchasing fuel not intended for use as a motor fuel. The distributors/jobbers must retain the certificates for examination by the Department of Revenue.

The bill expands the term "user" (taxpayer) to include a person consuming or using diesel fuel who purchases or receives the fuel within the State that was not taxed at the time of purchase or receipt because it was sold as heating fuel.

Section 3 of the work draft provides, in essence, that all audit assessments against dealers for failure to collect the tax from a purchaser or transferee could not be collected by the Department of Revenue nor could further audits be conducted nor assessments made. This section is arguably unconstitutional. In addition, the State would lose about \$2.8 million because of abatement of current audit assessments and forfeiture of other audit efforts for prior years.

The work draft as written would apparently continue to require dealers and users to file motor fuel tax returns. The sponsors of this bill might not be aware of this requirement.

There would literally be thousands of certificates of use issued. The effort to audit under the certificate concept would require an additional revenue auditor.

Section 3 essentially punishes those 50% of the dealers who have conformed to the law and properly collected tax. The State of Alaska has a substantial amount of dollars impacted by the dealers' failure to collect when required.

RRK/gb

April 16, 1982

The Honorable Joe L. Hayes
Speaker of the House of Representatives

Dear Mr. Speaker:

It is the intent of the Finance Committee that the "certificate of use" provision in * Section 1 of CSHB 101 (Rules) be interpreted in accordance with the following:

Section 1 of CSHB 101(Rules) states that a motor fuel dealer need not collect the motor fuel tax if the dealer has a reasonable belief that the fuel that is sold or transferred is not to be used as "motor fuel" within the meaning of AS 43.40.100(2). In addition the dealer must obtain a certificate of use from the recipient of the fuel if the tax is not collected. The certificate is a statement by the recipient that the fuel has not been and will not be used in a manner that would make it "motor fuel", subject to the motor fuel tax. The Department of Revenue is to prescribe the form of the certificate of use by regulation.

It is the intent of the Finance Committee that a certificate of use may be a short statement printed on a fuel delivery invoice to be signed by the recipient of fuel at the time of delivery. To avoid unnecessary recordkeeping and duplication of forms the certificate of use should be printed on the delivery invoice or the fuel billing form whenever possible. The regulations adopted by the Department of Revenue to implement this section of the Act should allow the certificate of use to be printed on forms used by fuel dealers.

except in cases where a separate certificate of use is absolutely necessary.

Sincerely,

Al Adams
Chairman
House Finance Committee

101

A M E N D M E N T

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TO: CSHB 101 (Rules)

By Zharoff

Page 1, line 6:

After "motor fuel tax (AS 43.40);" insert "repealing the tax on motor fuel used in or on watercraft;"

Page 1, after line 8:

Insert new sections to read:

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

(a) There is levied a tax of eight cents a gallon on all motor fuel sold or otherwise transferred within the state, except that

(1) the tax on aviation gasoline is four cents a gallon, and

[(2) THE TAX ON MOTOR FUEL USED IN AND ON WATERCRAFT OF ALL DESCRIPTIONS IS FIVE CENTS A GALLON, AND]

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

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

(b) There is levied a tax of eight cents a gallon on all motor fuel consumed by a user, except that

(1) the tax on aviation gasoline consumed is four cents a gallon, and

[(2) THE TAX ON MOTOR FUEL USED IN AND ON WATERCRAFT OF ALL DESCRIPTIONS IS FIVE CENTS A GALLON, AND]

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

* Sec. 3. AS 43.40.010(g) is amended to read:

(g) The proceeds of the revenue from the tax on all motor fuels,

1 except as provided in (e) [, (f),] and (j) of this section, shall be
2 deposited in a special highway fuel tax account in the state general
3 fund. The legislature may appropriate funds from it for expenditure by
4 the Department of Transportation and Public Facilities [PUBLIC WORKS]
5 directly or as matched with available federal-aid-highway money for
6 maintenance of highways, construction of highway projects and ferries
7 included in the program provided for in AS 19.10.150, including ap-
8 proaches, appurtenances and related facilities and acquisition of
9 rights-of-way or easements, and other highway costs including surveys,
10 administration, and related matters. All departments of the state
11 government authorized to spend funds collected from taxes imposed by
12 this chapter [AS 43.40.010 - 43.40.100] shall perform, when feasible,
13 all construction or reconstruction projects by contract after the
14 projects have been advertised for competitive bids, except that, when
15 feasible, arrangements shall be made with political subdivisions to
16 carry out the construction or reconstruction projects. If it is not
17 feasible for the work to be performed by state engineering forces, the
18 commissioner of Transportation and Public Facilities [PUBLIC WORKS] may
19 contract on a professional basis with private engineering firms for
20 road design, bridge design, and services in connection with surveys.
21 If more than one private engineering firm is available for the work the
22 contracts shall be entered into on a negotiated basis.

23
24 Page 1, line 9:

25 Change "Section 1" to "Sec. 4"

26
27 Page 1, after line 21:

28 Insert new sections to read:

29 * Sec. 5. AS 43.40.030(a)(2) is amended to read:

1 (2) the motor fuel is not aviation fuel [, OR MOTOR FUEL
2 USED IN OR ON WATERCRAFT]; and

3 * Sec. 6. AS 43.40.100(2) is amended to read:

4 (2) "motor fuel" means fuel used in an engine for the pro-
5 pulsion of a motor vehicle or aircraft, and fuel used [IN AND ON WATER-
6 CRAFT FOR ANY PURPOSE, OR] in a stationary engine, machine or mechanical
7 contrivance which is run by an internal combustion motor; "motor fuel"
8 does not include

9 (A) fuel consigned to foreign countries,

10 (B) fuel sold for use in jet propulsion aircraft op-
11 erating in flights to foreign countries,

12 (C) fuel used in stationary power plants operating as
13 public utility plants and generating electrical energy for sale to
14 the general public,

15 (D) fuel used by nonprofit power associations or
16 corporations for generating electric energy for resale,

17 (E) fuel used by charitable institutions, [OR]

18 (F) fuel which is at least 10 percent alcohol by
19 volume, or

20 (G) fuel used in and on watercraft for any purpose; [.]
21

22 Renumber Secs. 2 - 5 as Secs. 7 - 10

23
24 Page 2, after line 21:

25 Insert a new section to read:

26 * Sec. 11. AS 43.40.010(f) is repealed.

27
28 Page 2, line 22:

29 Change "Sec. 6" to "Sec. 12"

FISCAL NOTE

I. REQUEST

Bill/Resolution No. Senate Bill 182

Title An Act repealing the tax on motor fuel used in or on watercraft

Requested by Senate Transportation and Finance Committee Date 2/18/81

II. FISCAL DETAIL

Agency Affected _____

Program Category Affected _____

BRU, Program, or Subprogram(s) Affected _____

(Note: If more than one budget component is affected, separate line-item amounts and funding for each component in the analysis section.)

EXPENDITURES (Thousands of Dollars)

	FY 81	FY 82	FY 83	FY 84	FY 85	FY 86
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL						
400 COMMODITIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC.						

TOTAL

FUNDING MILLIONS
(~~Thousands~~ of Dollars)

	FY 81	FY 82	FY 83	FY 84	FY 85	FY 86
GENERAL FUND	-0-	(3.6)	(3.8)	(4.0)	(4.2)	
FEDERAL FUNDS						
OTHER (Specify Fund Source)						

POSITIONS

	FY 81	FY 82	FY 83	FY 84	FY 85	FY 86
FULL TIME						
PART TIME						
TEMPORARY						

III. ANALYSIS (See Fiscal Note Preparation Instructions, Section III)

The above estimates are based on the Department of Revenue's forecasting model.

IV. DATE 2/18/81

PREPARED BY Vincent D. Wright
 AGENCY Department of Revenue
 PHONE _____

Original: Legislative Finance
 cc: Budget and Management
Prime Sponsor (First Legislator Named)

THE LEGISLATURE OF THE STATE OF ALASKA
TWELFTH LEGISLATURE

FISCAL NOTE

I. REQUEST

Bill/Resolution No. HB 101

Title An Act repealing the tax on motor fuel used in or on watercraft.

Requested by House Resources Committee Date Feb. 7, 1981

II. FISCAL DETAIL

Agency Affected Department of Revenue

Program Category Affected Revenue Collection and Management

BRU, Program, or Subprogram(s) Affected Audit Division

(Note: If more than one budget component is affected, separate line-item amounts and funding for each component in the analysis section.)

EXPENDITURES (Thousands of Dollars) - NONE

	FY 81	FY 82	FY 83	FY 84	FY 85	FY 86
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL						
400 COMMODITIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC.						
TOTAL						

FUNDING (Thousands of Dollars) - NONE

GENERAL FUND						
FEDERAL FUNDS						
OTHER (Specify Fund Source)						

POSITIONS - NONE

FULL TIME						
PART TIME						
TEMPORARY						

III. ANALYSIS (See Fiscal Note Preparation Instructions, Section III)

This bill will repeal the marine motor fuel tax. It will have no effect on the administrative costs of this division.

IV. DATE February 13, 1981

PREPARED BY Gary L. Jenkins

AGENCY Division of Audit

PHONE 465-2320

Original: Legislative Finance

cc: Budget and Management

Prime Sponsor (First Legislator Named)

HB 101

SENATE JOURNAL - PAGE 961- 2 4/20/82

<CS FOR HOUSE BILL NO. 101 (2d FIN)> by the Finance Committee with Letter of Intent, entitled:

"An Act relating to the motor fuel tax (AS 43.40); and providing for an effective date."

was read the first time and referred to the Transportation Committee and the Finance Committee.

HB 101

SENATE JOURNAL - PAGE 1028- 1 4/23/82

The Transportation Committee considered <CS FOR HOUSE BILL NO. > <101 (2d FIN)> (motor fuel tax (AS 43.40)) and a majority of the committee recommends it do pass. Senator Ray, Chairman, signed "no recommendation". Senators Gilman, Dankworth and Sackett signed "do pass".

CS FOR HOUSE BILL NO. 101 (2d FIN) was referred to the Finance Committee.

HB 101

SENATE JOURNAL - PAGE 1090- 1 4/29/82

The Finance Committee considered <CS FOR HOUSE BILL NO. 101> <(2d FIN)> (motor fuel tax (AS 43.40)) and a majority of the committee recommends it be replaced with SENATE CS FOR CS FOR HOUSE BILL NO. 101 (FIN), entitled:

"An Act relating to state taxation; and providing for an effective date."

and do pass. The report was signed by Senator Bennett, Co-Chairman and concurred in by Senators Sackett, Sturgulewski, Eliason, Ferguson and Dankworth. Senator Stimson signed "no recommendation".

CS FOR HOUSE BILL NO. 101 (2d FIN) was referred to the Rules Committee.

HB 101

SENATE JOURNAL - PAGE 1134- 1 5/ 4/82

<CS FOR HOUSE BILL NO. 101 (2d FIN)> (relating to motor fuel tax (AS 43.40)) was read the second time.

Senator Sackett moved and asked unanimous consent that the

Finance Senate Committee Substitute offered on page 1090 be adopted. Without objection, (SENATE CS FOR CS FOR HOUSE BILL) (NO. 101 (FIN)) (relating to state taxation; eff date) was adopted.

Senator Rodey moved and asked unanimous consent for the adoption of the title change. Without objection, the title change was adopted.

SENATE CS FOR CS FOR HOUSE BILL NO. 101 (FIN) was read the second time.

Senator Rodey moved and asked unanimous consent that SENATE CS FOR CS FOR HOUSE BILL NO. 101 (FIN) be considered engrossed, advanced to third reading and placed on final passage. Without objection, it was so ordered.

SENATE CS FOR CS FOR HOUSE BILL NO. 101 (FIN) was read the third time.

The question being: "Shall SENATE CS FOR CS FOR HOUSE BILL NO. 101 (FIN) (relating to state taxation) pass the Senate?" The roll was taken with the following result:

SCS CSHB 101 FIN 3RD

Yeas:	20	Anderson, Bennett, Bradley, Colletta, Dankworth, Eliason, Fahrenkamp, Ferguson, Fischer, Gilman, Kelly, Keritula, Mulcahy, Parr, Ray, Rodey, Sackett, Stimson, Sturgulewski, Ziegler
-------	----	---

Nays:	0	
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and so, SENATE CS FOR CS FOR HOUSE BILL NO. 101 (FIN) passed the Senate.

Senator Rodey moved and asked unanimous consent that the roll call on the passage of the above bill be considered the roll call on the effective date clause. Without objection, it was so ordered.

SENATE CS FOR CS FOR HOUSE BILL NO. 101 (FIN) was referred to the Secretary for engrossment.

SCS CSHB 101 (FIN)
ENGROSSED.

SENATE JOURNAL - PAGE 1146- 1 5/ 4/82

HB 101

SENATE JOURNAL - PAGE 1149- 1 5/ 5/82

Fiscal note on SENATE CS FOR CS FOR HOUSE BILL NO. 101 (FIN) appears in Senate Supplement No. 40 to the May 5 Journal.

HB 101 HOUSE JOURNAL - PAGE 1651- 1 5/ 5/82

Senate passed with amendment - SCS CSHB 101 (Fin).
Held for future consideration

HB 101 SENATE JOURNAL - PAGE 1149- 1 5/ 6/82

Fiscal note on SENATE CS FOR CS FOR HOUSE BILL NO. 101 (FIN) appears in Senate Supplement No. 40 to the May 5 Journal.

HB 101 HOUSE JOURNAL - PAGE 1768- 1 5/10/82

Failed to concur in Senate amendments 17-22-0-1

HB 101 SENATE JOURNAL - PAGE 1261- 1 5/11/82

Message of May 10 was read, stating the House has failed to concur in the Senate amendment to CS FOR HOUSE BILL NO. 101 (2d FIN) (relating to the motor fuel tax (AS 43.40)? eff. date), namely:

<SENATE CS FOR CS FOR HOUSE BILL NO. 101 (FIN)>
(relating to state taxation? eff. date)

and respectfully requests the Senate to recede from its amendment.

Senator Rodey moved that the Senate recede from its amendment and requested the body to vote no.

The question being: "Shall the Senate recede from its amendment to CS FOR HOUSE BILL NO. 101 (2d FIN)?" The roll was taken with the following result:

CSHB 101 RECEDE

Yeas: 0

Nays: 20 Anderson, Bennett, Bradley,
Colletta, Dankworth, Eliason,
Fahrenkamp, Ferguson, Fischer,
Gilman, Kelly, Kerittola, Mulcahy,
Parry, Ray, Rodey, Sackett, Stimson,

Sturgulewski, Ziegler

and so, the Senate failed to recede from its amendment.

The President appointed the following members to a CONFERENCE COMMITTEE to meet with a like committee from the House to consider the above bills:

Senator Sturgulewski, Chairman
Senator Fischer
Senator Colletta

The Secretary was requested to notify the House.

H B 101

*Primary file
for Trust 1/28*

NOTICE

Section 7, chapter 82, SLA 1981 became law on January 16, 1982, following a vote of the legislature to override the governor's 1981 veto of the section.

The section (part of the 1981 - 1982 general appropriation bill) reads as follows:

* Sec. 7. The figures in parentheses indicating numbers of positions which follow certain program or subprogram names throughout sec. 28 of this Act shall be the total number of permanent full-time or part-time positions for which expenditures are authorized from appropriations made in this Act. The amounts budgeted for personal services within an appropriation are conditioned upon compliance with the requirement that the total number of permanent full-time or part-time positions shall not be increased during the fiscal year over the numbers shown in parentheses for program or subprogram units within the appropriation. Additional positions beyond those indicated in parentheses may be authorized through an appropriated fiscal note or revised program authorizing receipt and expenditure of additional federal or other program receipts approved in accordance with AS 37.07.080(h).

HB

105

COMMITTEE REPORT

HOUSE

2/4/81

FURTHER: FINANCE

(5)

Date: _____

Mr. Speaker:

The Committee on STATE AFFAIRS has had HB 105

"An Act relating to citizen participation in state government."

under consideration and (a majority of the committee) (the committee) reports it back with the following recommendations:

- do pass do not pass
- do pass with attached amendments(s)
- replace with CS for _____ same title
- new title
- and recommends _____
- AND attaches a "Letter of Intent" New Fiscal Note
- reports it back without recommendation
- referred to the _____ Committee

MEMBERS SIGNING
DO PASS

MEMBERS HAVING
OTHER RECOMMENDATIONS:

CHAIRMAN

THE LEGISLATURE OF THE STATE OF ALASKA
TWELFTH LEGISLATURE

FISCAL NOTE

I. REQUEST

Bill/Resolution No. HB 105
 Title An act relating to citizen participation in State government
 Requested by _____ Date May 8, 1981

II. FISCAL DETAIL

Agency Affected Commerce & Economic Development
 Program Category Affected Public Protection
 BRU, Program, or Subprogram(s) Affected Commissioner's Office/Administration and Support
 (Note: If more than one budget component is affected, separate line-item amounts and funding for each component in the analysis section.)
EXPENDITURES (Thousands of Dollars)

	FY 81	FY 82	FY 83	FY 84	FY 85	FY 86
100 PERSONAL SERVICES		15.6	16.8	18.1	19.5	21.1
200 TRAVEL		-0-	-0-	-0-	-0-	-0-
300 CONTRACTUAL		5.0	5.4	5.8	6.3	6.8
400 COMMODITIES		3.0	3.2	3.5	3.7	4.0
500 EQUIPMENT		1.5	-0-	-0-	-0-	-0-
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC.		2,975.0	3,272.5	3,599.7	3,959.7	4,355.7
TOTAL		3,000.1	3,297.9	3,627.1	3,989.2	4,387.6

FUNDING (Thousands of Dollars)

	FY 81	FY 82	FY 83	FY 84	FY 85	FY 86
GENERAL FUND		3,000.1	3,297.9	3,627.1	3,989.2	4,387.6
FEDERAL FUNDS						
OTHER (Specify Fund Source)						

POSITIONS

	FY 81	FY 82	FY 83	FY 84	FY 85	FY 86
FULL TIME						
PART TIME		1	1	1	1	1
TEMPORARY						

III. ANALYSIS (See Fiscal Note Preparation Instructions, Section III)

Assumptions:

1. 1980 preliminary census is 400,481
2. All residents regardless of age qualify; however, 19,500 residents of Juneau would not qualify and 41,400 residents under 5 years of age would not participate in the legislative session, leaving the number of qualified residents at 339,600.
3. "Participating in the legislative process" means attending floor or committee sessions and/or meeting with legislators in Juneau.
4. Resident is defined as anyone residing in Alaska.
5. Average cost of one-way air fare is \$175.
6. 5% participation per year.
7. One one-way ticket per resident for the life of the program.
8. A "state transportation request" system would be developed and issued by the department to qualified residents for presentation to airline.
9. One part time Accountant II, grade 14, would be required to administer the program January 1 thru June 30: 8% inflation administrative costs, 10% inflation airline costs.

IV. DATE May 8, 1981 PREPARED BY Lois Cook
 AGENCY Commerce & Economic Development
 PHONE 2505

Original: Legislative Finance
 cc: Budget and Management
 Prime Sponsor (First Legislator Named)

ALASKA STATE LEGISLATURE

TWELFTH Legislature FIRST Session

HOUSE BILL NO. 105

By BEIRNE AND BETTISWORTH

"An Act relating to citizen participation in state government."

Citizen participation in state government

Introduced in the House ... 2/4 ... 19... 62

HISTORY IN THE HOUSE

19 81 Feb. 4	<p>Read first time and referred to Committee on State Affairs and Finance</p> <p>Reported back with recommendation that</p> <p>Read second time and</p> <p>Read third time and</p> <table border="0"> <tr> <td>PASS</td> <td>Effective Date</td> </tr> <tr> <td>Yeas</td> <td>Yeas</td> </tr> <tr> <td>Nays</td> <td>Nays</td> </tr> <tr> <td>Absent</td> <td>Absent</td> </tr> <tr> <td>Excused</td> <td>Excused</td> </tr> </table> <p style="text-align: center;">Reconsideration</p> <table border="0"> <tr> <td>PASS</td> <td>Effective Date</td> </tr> <tr> <td>Yeas</td> <td>Yeas</td> </tr> <tr> <td>Nays</td> <td>Nays</td> </tr> <tr> <td>Absent</td> <td>Absent</td> </tr> <tr> <td>Excused</td> <td>Excused</td> </tr> </table> <p>Reported correctly engrossed Signed by Speaker Sent to Senate</p>	PASS	Effective Date	Yeas	Yeas	Nays	Nays	Absent	Absent	Excused	Excused	PASS	Effective Date	Yeas	Yeas	Nays	Nays	Absent	Absent	Excused	Excused
PASS	Effective Date																				
Yeas	Yeas																				
Nays	Nays																				
Absent	Absent																				
Excused	Excused																				
PASS	Effective Date																				
Yeas	Yeas																				
Nays	Nays																				
Absent	Absent																				
Excused	Excused																				

CHIEF CLERK OF THE HOUSE

HISTORY IN THE SENATE

19	<p>Read first time and referred to Committee on</p> <p>Reported back with recommendation that</p> <p>Read second time and</p> <p>Read third time and</p> <table border="0"> <tr> <td>PASS</td> <td>Effective Date</td> </tr> <tr> <td>Yeas</td> <td>Yeas</td> </tr> <tr> <td>Nays</td> <td>Nays</td> </tr> <tr> <td>Absent</td> <td>Absent</td> </tr> <tr> <td>Excused</td> <td>Excused</td> </tr> </table> <p style="text-align: center;">Reconsideration</p> <table border="0"> <tr> <td>PASS</td> <td>Effective Date</td> </tr> <tr> <td>Yeas</td> <td>Yeas</td> </tr> <tr> <td>Nays</td> <td>Nays</td> </tr> <tr> <td>Absent</td> <td>Absent</td> </tr> <tr> <td>Excused</td> <td>Excused</td> </tr> </table> <p>Reported correctly engrossed Signed by President Returned to House</p>	PASS	Effective Date	Yeas	Yeas	Nays	Nays	Absent	Absent	Excused	Excused	PASS	Effective Date	Yeas	Yeas	Nays	Nays	Absent	Absent	Excused	Excused
PASS	Effective Date																				
Yeas	Yeas																				
Nays	Nays																				
Absent	Absent																				
Excused	Excused																				
PASS	Effective Date																				
Yeas	Yeas																				
Nays	Nays																				
Absent	Absent																				
Excused	Excused																				

SECRETARY OF THE SENATE

HISTORY IN THE HOUSE

19	<p>Received from Senate</p> <p>Concurred in Senate amendment thus adopting: VOTE</p> <p>Failed to concur in Senate amendment; asked Senate to recede VOTE</p> <p>Senate receded from amendment VOTE</p> <p>Senate failed to recede from amendment VOTE</p> <p>CC appointed by House</p> <p>CC appointed by Senate</p> <p>CC adopted by House VOTE</p> <p>CC adopted by Senate VOTE</p> <p>To enrolling Reported correctly enrolled Sent to Governor</p> <p>..... by Governor</p> <p>Filed with Lt. Governor</p> <p>Chapter No.</p>
----	---

HB

121

COMMITTEE REPORT

HOUSE

-2/5/81

FURTHER: FINANCE

(5)

Date: 5-1-81

Mr. Speaker:

The Committee on STATE AFFAIRS has had HB 121

"An Act requiring annual adjustments under the teachers' and public employees' retirement systems; and providing for an effective date."

under consideration and (a majority of the committee) (the committee) reports it back with the following recommendations:

- do pass do not pass
- do pass with attached amendments(s)
- replace with CS for HB 121 (SA) same title
 new title
- and recommends CS HB 121 DO PASS
- AND attaches a "Letter of Intent" New Fiscal Note
- reports it back without recommendation
- referred to the _____ Committee

MEMBERS SIGNING
DO PASS

[Signature]

[Signature]

[Signature]

MEMBERS HAVING
OTHER RECOMMENDATIONS:

[Signature]

[Signature]

CHAIRMAN

* A S R T A

3/6/81

RESOLUTION

Whereas - the Alaska State Retired Teachers Assn. is an organization dedicated to improving the living standards and enriching the lives of its membership and

Whereas - the primary financial support of the retired teachers of Alaska is the Alaska Teachers Retirement Fund and

Whereas - the annual rate of inflation which ranges from 8-14% jeopardizes the fiscal integrity of many Alaska retired teachers receiving fixed benefits and

Whereas - the state of Alaska is realizing increased revenues from taxes and oil royalty payments and

Whereas the latest ^{actuarial} study of the TRS demonstrates the fiscal strength of the TRS Fund:

Be it therefore resolved that - the ASRTA supports the enactment of HB 121 and SB 60 which provides for an annual adjustment for improving the fiscal benefits of the retired teachers of Alaska relative to the Consumer Price Index as reported for the Anchorage Area -

* Alaska State Retired Teachers Association

Further be it resolved -- that ASRTA endorse the following provisions for implementing HB 121 & SB 60

1. that the legislature fund the unfunded liability of the T.R.S.
2. That the PRPA provision of HB 121 & SB 60 begin in the 5th year following retirement or at age 65 whichever comes first.
3. That 75% of the COLA as represented by the CPI reported for the Anchorage are become the basis for PRPA benefits.

Further be it resolved that since currently employed teachers will enjoy future of benefits far in excess of contributions that they be encouraged to support an additional contribution of up to 2% for the TRS in order to assist with the funding of P.R.P.A. provisions of HB 121 & SB 60.

These resolutions as endorsed by:

Central Alaska Retired Teachers Unit

Fairbanks Retired Teachers Unit

Ketchikan Retired Teachers Unit

Juneau Retired Teachers Unit

The other ~~four~~ Retired Teachers Units in Alaska

ATTACHMENT

Bill/Resolution No. HB 121

ASSUMPTIONS:

- 1. Estimated FY 82 Payroll (Total System) = \$261,775,000
- 2. State Contribution Rate to Fund Bill = 24.41%
- 3. State TRS Matching Rate to Fund Bill = 24.41%
- 4. School District Rate to Fund Bill = 24.41%

COST ANALYSIS:

<u>Employer</u>	<u>Payroll</u>		<u>Rate</u>	<u>Cost</u>	<u>Appropriation</u>
1. Department of Education	\$ 4,712,000	X	24.41%	\$ 1,150.2	To Their Budget
2. University of Alaska	\$ 42,617,000	X	24.41%	\$10,402.8	To Their Budget
				<u>\$11,553.0</u>	
3. State TRS Matching	\$261,775,000	X	24.41%	\$63,899.3	To TRS Match
4. State TRS Regular Budget:					
Personal Services				\$ -0-	To Personal
Travel				\$ -0-	To Travel
Contractual				\$ -0-	To Contractual
Commodities				\$ -0-	To Commodities
Equipment				\$ -0-	To Equipment
				<u>\$75,452.3</u>	
5. All School Districts	\$214,445,000	X	24.41%	\$ 52,346.3	
				<u>\$127,798.6</u>	

REMARKS:

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I. REQUEST

Bill/Resolution No. House Bill 121

Title An Act Requiring Annual Adjustments Under the TRS and PERS.

Requested by _____

Date _____

II. FISCAL DETAIL

Agency Affected Administration - Division of Retirement & Benefits

Program Category Affected Labor Services and Elementary & Secondary Education

BRU, Program, or Subprogram(s) Affected 02-96-8-01-01-02 (TRS) 02-11-8-02-01-00 (TRS MATCH)

(Note: If more than one budget component is affected, separate line-item amounts and funding for each component in the analysis section.)

EXPENDITURES (Thousands of Dollars)

	FY 81	FY 82	FY 83	FY 84	FY 85	FY 86
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL						
400 COMMODITIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 STATE TRS MATCHING		63,899.3	70,289.2	77,318.1	85,049.9	93,554.9
100 BENEFITS		11,553.0	12,708.3	13,979.1	15,377.0	16,914.7
TOTAL		75,452.3	82,997.5	91,297.2	100,426.9	110,469.6

FUNDING (Thousands of Dollars)

GENERAL FUND		75,452.3	82,997.5	91,297.2	100,426.9	110,469.6
FEDERAL FUNDS						
VETERAN'S FUND						
FISH & GAME FUND						
HIGHWAY FUND						
AIRPORT FUND						
CAPITAL FUND						
PERS						
TRS						

POSITIONS NONE

FULL TIME						
PAPT TIME						
TEMPORARY						

III. ANALYSIS (See Fiscal Note Preparation Instructions, Section III)

1. Estimate long-term inflation rate of 7.5%.
2. An automatic PRPA with no ceiling will increase the contribution rate by 48.82% of covered TRS payroll (the TRS contribution rate is split 50/50 between the State matching contribution and the district contribution).
3. Estimate FY 82 TRS covered payroll @ \$261,775,000.
4. Estimate the TRS covered payroll will increase at 10% annually.

IV. DATE 2/23/81

PREPARED BY _____

Paul B. Arnoldt
Paul B. Arnoldt, Director

AGENCY _____

Division of Retirement & Benefits

Original: Legislative Finance

PHONE _____

465-4460

cc: Budget and Management

Prime Sponsor (First Legislator Named) Senator Ray

Office of the Governor (Keith Specking)

I. REQUEST

Bill/Resolution No. House Bill 121
 Title An Act Requiring Annual Adjustments Under The TRS And PERS
 Requested by _____ Date _____

II. FISCAL DETAIL

Agency Affected Administration - Division of Retirement and Lanefits

Program Category Affected Labor Services

BRU, Program, or Subprogram(s) Affected 02-96-8-01-01-01 (PERS)

(Note: If more than one budget component is affected, separate line-item amounts and funding for each component in the analysis section.)

EXPENDITURES (Thousands of Dollars)

	FY 81	FY 82	FY 83	FY 84	FY 85	FY 86
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL						
400 COMMODITIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 STATE TRS MATCHING						
100 BENEFITS		89,340.1	98,274.2	108,101.6	118,911.7	130,802.9
TOTAL		89,340.1	98,274.2	108,101.6	118,911.7	130,802.9

FUNDING (Thousands of Dollars)

GENERAL FUND		73,169.6	80,486.6	88,535.3	97,388.7	107,127.7
FEDERAL FUNDS		4,109.6	4,520.6	4,972.7	5,469.9	6,016.9
VETERAN'S FUND		178.7	196.5	216.2	237.8	261.6
FISH & GAME FUND		536.0	589.6	648.6	713.5	784.8
HIGHWAY FUND		1,161.4	1,277.6	1,405.3	1,545.9	1,700.4
AIRPORT FUND		2,590.9	2,850.0	3,134.9	3,448.4	3,793.3
CAPITAL FUND		7,593.9	8,353.3	9,188.6	10,107.5	11,118.2
PERS						
TRS						

POSITIONS NONE

FULL TIME						
PART TIME						
TEMPORARY						

III. ANALYSIS (See Fiscal Note Preparation Instructions, Section III)

1. Estimate FY 82 covered State PERS payroll to be \$296,614,000.
2. Increase in State contribution rate would be 30.12% of covered State PERS payroll.
3. Estimate future State PERS payroll to increase 10% annually.
4. Estimate long-term inflation rate of 7.5%.
5. The cost to political subdivision is estimated to be \$76.7 million in FY 82 increasing at 10% each year thereafter.

IV. DATE 2/23/81 PREPARED BY Paul B. Arnoldt, Director
 AGENCY Division of Retirement & Benefits
 PHONE 465-4460

Original: Legislative Finance
 Budget and Management
 Prime Sponsor (First Legislator Named) Senator Ray
 Office of the Governor (Keith Specking)

S. R. Bean 61042
Fairbanks, Alaska 99701
April 5, 1981

Mike Miller
Ranch V
Tununavut, Alaska

Dear Mr. Miller:

This letter is in re House Bill # 121
by Duvverson and Miller.

As a retired Justice Department
agent, I am sure you work on behalf
of retired personnel.

I am looking forward to
receiving the comparative Post Office
and Revenue Adjustment.

E. J. Miller, R. 202

State of Alaska
TEACHERS' RETIREMENT BOARD

7

Board Members:

Dr. Merritt C. Olson, Chairman
843 W. 11th Avenue
Anchorage, Alaska 99501

Mr. Harry Purdy, Vice Chairman
Box 187
Galena, Alaska 99741

Mrs. Jane Gustafson
Box 2276
Juneau, Alaska 99803

Mr. Steve Kinney
Route 1, Box 917
Ketchikan, Alaska 99901

Mrs. Dorothy Wells
SR Box 80470
Fairbanks, Alaska 99701

December 28, 1981

Honorable Ray H. Metcalfe
Alaska State Legislature
P.O. Box 4-2766
Anchorage, AK 99509

Dear Representative Metcalfe:

On behalf of the Alaska Teachers' Retirement Board, I would like to request your support and ask that you work for the prompt passage of SCS CSHB 121 (R1s) am S re-eng.

As you know, this bill represents a tremendous amount of work on the part of members of the executive and legislative branches as well as key employee representatives. We believe that the establishment of an actuarially funded, automatic annual post retirement pension adjustment (PRPA) for members of the Teachers' and Public Employees' Retirement Systems is an extremely significant and much-needed step for the retirement systems. We are hopeful that you and the other members of the House will take favorable action on this bill as early as possible in the 1982 session.

Thank you.

Sincerely,



Merritt C. Olson, Chairman
Teachers' Retirement Board

nc

STATE OF ALASKA

JAY S. HAMMOND, GOVERNOR

DEPARTMENT OF ADMINISTRATION

OFFICE OF THE COMMISSIONER

POUCH C

JUNEAU, ALASKA 99811

(907) 465-2200

December 11, 1981

Honorable Ray H. Metcalfe
Alaska State Legislature
P.O. Box 4-2766
Anchorage, AK 99509

Dear Representative Metcalfe:

Enclosed is a copy of our letter of December 8, 1981, to all PERS Fish and Game employees and a revised draft of the proposed regulation regarding peace officer coverage for qualified employees of the Department of Fish and Game.

As you are probably aware, there was considerable concern expressed by affected employees and other concerned individuals over the first draft regulation which was sent to them for review. Consequently, we have significantly modified the proposed regulation based upon input from those respondents.

Any employee who has peace officer coverage prior to the effective date of the regulation will continue to have that coverage as long as he or she remains in his or her current position or transfers to another covered position. However, one area of the regulation which caused major concern is subsection (b) which would exclude peace officer coverage for some positions if they do not meet the requirements of the regulation in order to qualify for peace officer coverage. Many of the employees are opposed to this provision of the regulation because they may be promoted to another position which may not qualify for peace officer coverage under the regulation. The Department of Law advises us that this subsection cannot be changed to accommodate that concern.

As you know, legislation is pending (Section 54 of SCS CSHB 121 (RIs) am S re-eng) which will allow existing employees to continue to have peace officer coverage until termination or retirement regardless of the position which they occupy within the Department of Fish and Game. Passage of this legislation would alleviate the promotional problems now experienced by some employees of the Department of Fish and Game. Also included in the bill is a provision that would eliminate peace officer coverage for Fish and Game employees hired after the effective date of the act. Both the Commissioner of Administration and