

ALASKA LEGISLATURE COMMITTEE FILES 1983-1984

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was exposed to the AASAP screening and alcohol education survived the full year than did the respective control group. The much greater difference between the AASAP/Treatment group and the problem drinker control group is again evident for this rearrest category.

Table I also shows the final percentages of cases surviving for each of the groups for rearrest for any offense. A somewhat lower percentage of non-problem drinkers survived the full year compared to the percentages surviving without rearrest for another OMVI/DWI. For this expanded definition of rearrest there is a greater percentage difference between the non-problem drinker AASAP/Education group and its control group, 93.1% compared to 89.5%, than for rearrest for another OMVI/DWI, but the difference is not statistically significant.

For problem drinkers, there is an even greater reduction in the percentage of survivors in general, but the percentage difference between the AASAP/Treatment group and its control group is about the same as for the survival based on rearrest for another OMVI/DWI. The percentage difference of 11% between the problem drinker AASAP screening and alcohol treatment group and the problem drinker control group, 85.6% compared to 74.6% is statistically significant at the .05 level.

In brief summary, surviving one year without rearrest for any subsequent criminal offense is more difficult than surviving the same time period without rearrest for another OMVI/DWI (a similar violation), for both non-problem drinkers and for problem drinkers. This is true whether or not the groups were exposed to AASAP screening and alcohol education or treatment. Similarly, non-problem drinkers tend to survive better than problem drinkers independent of exposure to AASAP screening and alcohol education or treatment.

When rearrest is defined in terms of another CMVI/DWI, there is no difference in survival between the non-problem drinker group exposed to AASAP screening and alcohol education and the control group. When rearrest is defined in terms of any criminal offenses, the non-problem, AASAP/Education group survived better (but not significantly better) than the respective control group. But for the problem drinker group, there is a clear significant positive difference in the survival rate for the group exposed to AASAP screening and alcohol treatment compared to the problem drinker control group, for both definitions of rearrest.

Satisfactory and Unsatisfactory Completion
of Alcohol Education Or Treatment

Non-Problem Drinkers

One other view of the outcome of exposure to AASAP screening

and alcohol education and/or treatment concerns the effects of the completion of alcohol education or alcohol treatment programs on survival. Rearrest rates were compared for subgroups of non-problem and problem drinkers in terms of satisfactory completion of alcohol education programs for the non-problem drinker group, and alcohol treatment for the problem drinker group.

For non-problem drinkers, the 93.1% of the AASAP/alcohol education group survived one year without rearrest for any criminal offense (89.5% for the control group). This group was subdivided into groups of cases which completed the alcohol education program in a satisfactory manner and those cases which completed the alcohol education program in a unsatisfactory manner.

The charted cumulative survival rates for this comparison is shown in Figure 6. It can be seen that there is a very sharp difference in the survival rate for the non-problem drinkers group within the first few months and that the difference is maintained throughout the rest of the one year period.

The actual proportion of cases surviving at the end of one year is shown in Table II. The difference of 10.8% in survival for those who satisfactorily completed the alcohol

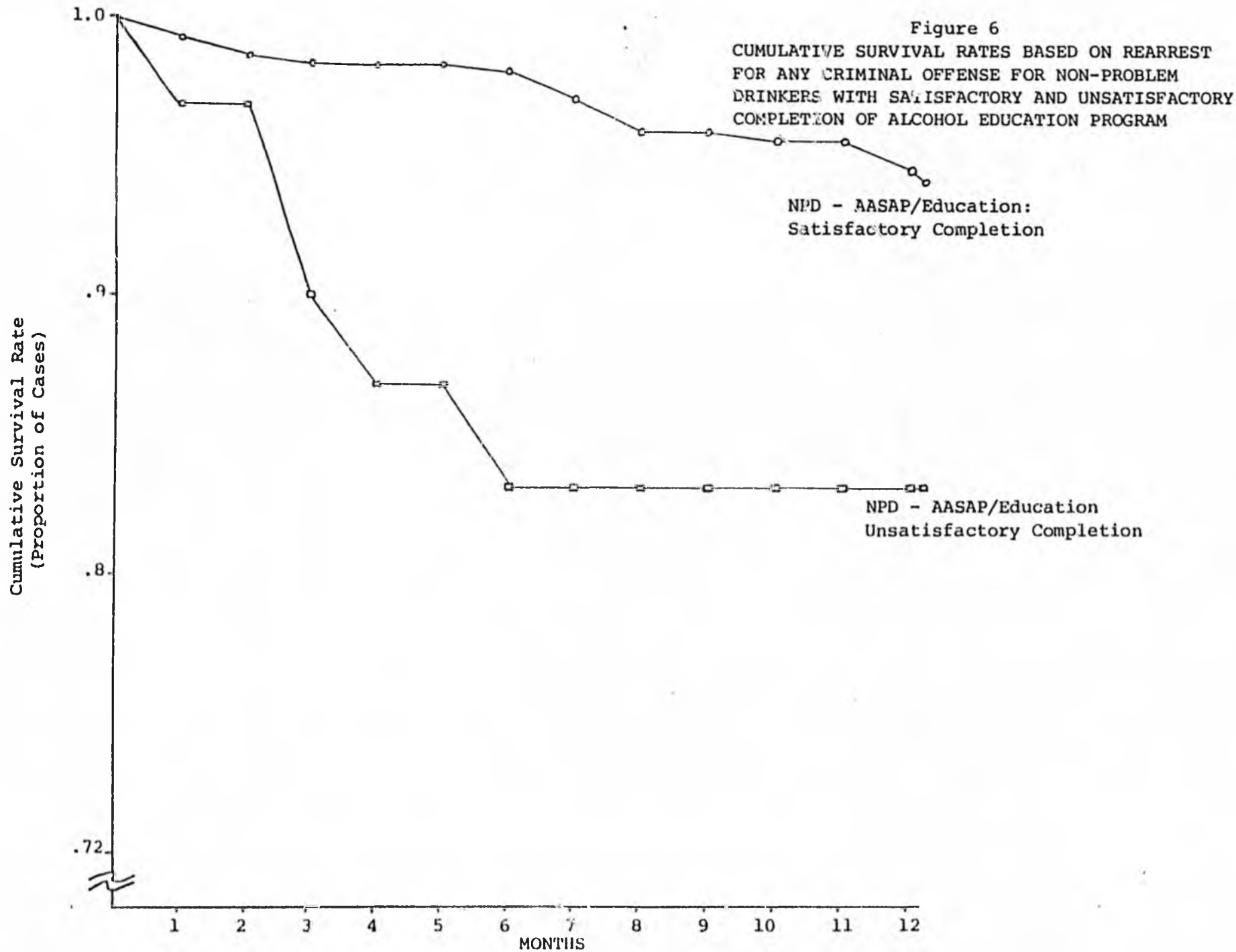


TABLE II
SATISFACTORY COMPLETION OF ALCOHOL EDUCATION
PROGRAM AND SURVIVAL WITHOUT REARREST FOR
ANY OFFENSE FOR NON-PROBLEM DRINKERS

Survived One Year Without Criminal Rearrest For Any Offense	Non-Problem Drinkers Completed Alcohol Education:					
	YES		NO		ALL	
	N	%	N	%	N	%
Yes	273	94.1*	25	83.3	298	93.1
No	17	5.9	5	16.7	22	6.9
All	290	100.0	30	100.0	320	100.0

*Statistically significant at the .05 level

information school is statistically significant at the .05 level. For this subgroup of non-problem drinkers, 94.1% survived one year without rearrest for any criminal offense, compared to 83.3% for those who did not complete the program in a satisfactory manner.

Although there was no significant difference in survival between non-problem drinkers exposed to AASAP and alcohol education and those not exposed (Table I), there is a positive and significant difference in survival for the subgroup of non-problem drinkers exposed to AASAP and alcohol education who satisfactorily complete the program compared to those who do not. The immediate implication of these findings might be that while simple exposure to AASAP and alcohol education is not related to better survival, satisfactory completion of the program would seem to make a difference for non-problem drinkers referred by the court. However, in consideration of the swiftness of rearrest for the group who unsatisfactorily complete the program (within one to three months after the initial arrest, see Figure 6), it may be more likely that rearrest influenced unsatisfactory completion of the alcohol education program. Furthermore, comparison of non-problem drinkers exposed to AASAP and alcohol education who satisfactorily complete the alcohol education program with the non-problem drinker control group yields no statistically significant difference in proportion of cases surviving, 94.1% compared to 89.5%.

Problem Drinkers

For the problem drinker group there is no apparent difference in the profiles of the cumulative survival rates for the subgroup completing treatment compared to the subgroup not completing alcohol treatment in a satisfactory manner (see Figure 7). The charted cumulative survival rates are very similar for both subgroups and the final proportion of cases surviving at the end of one year is also similar, 85.5% compared to 86.2% (see Table III).

The percentage of cases in the problem drinker AASAP/Treatment group that survived one year is significantly greater than for the control group, 85.6%, compared to 74.6%. But within the AASAP/Treatment group, there is hardly any difference at all in the percentage of cases completing treatment in a satisfactory manner compared to the percentage of cases which unsatisfactorily complete treatment. It would seem that participating in the treatment program is as important as completing it. Certainly, there are other variables that enter into the explanation of the lack of distinction between these two groups. But considerations regarding the type of treatment, the length of treatment, the definition of "satisfactory", etc. are beyond the scope of the data available for this investigation.

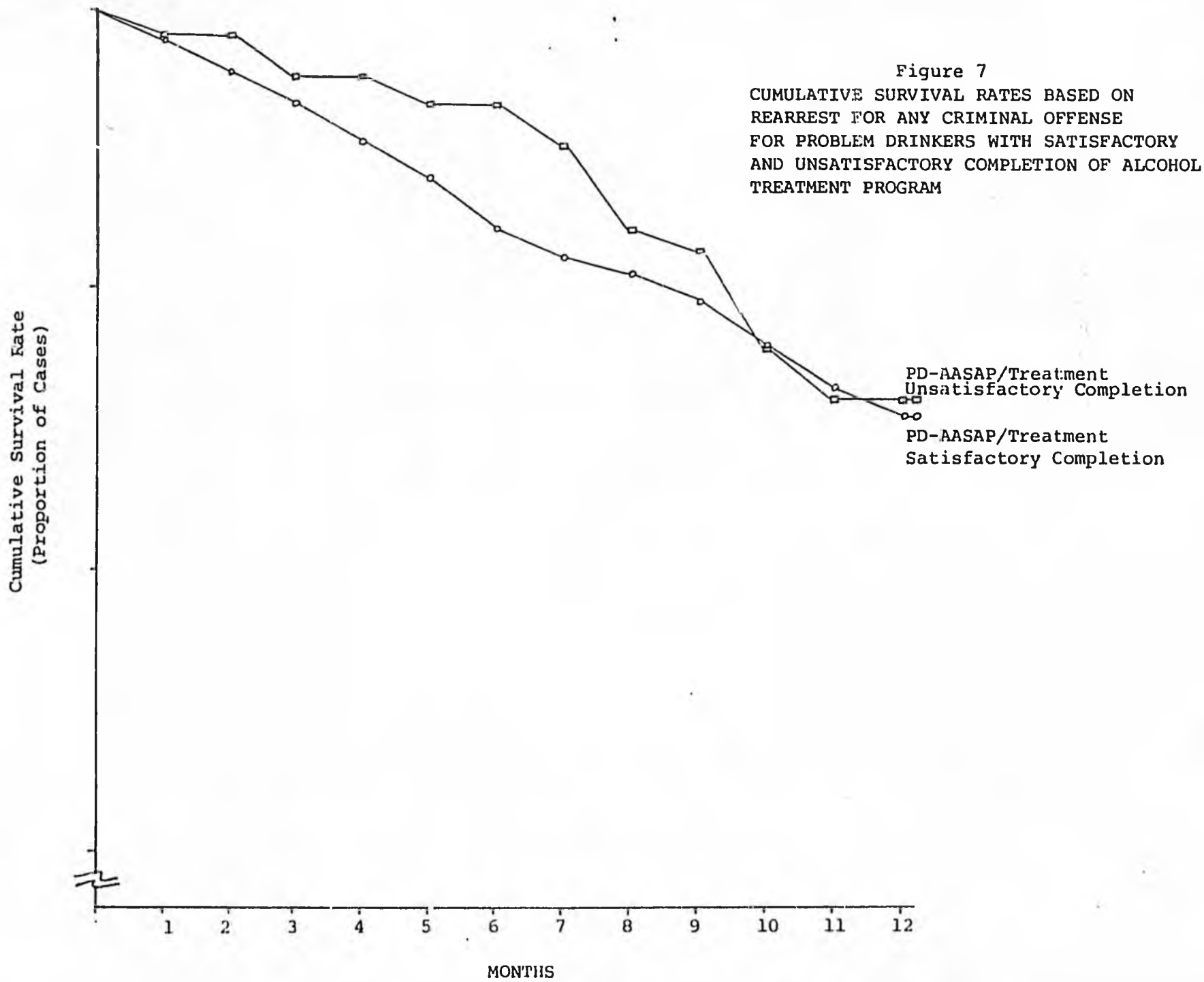


TABLE III

SATISFACTORY COMPLETION OF ALCOHOL TREATMENT
PROGRAM AND SURVIVAL WITHOUT REARREST FOR
ANY OFFENSE FOR PROBLEM DRINKERS

Survived One Year Without Criminal Arrest For Any Offense	Problem Drinkers Completed Alcohol Treatment:					
	YES		NO		ALL	
	N	%	N	%	N	%
Yes	380	85.6	100	86.2	480	85.7
No	64	14.4	16	13.8	80	14.3
All	444	100.0	116	100.0	560	100.0

DISCUSSION

The purpose of the investigation was to determine the effect of exposure to AASAP screening and alcohol education and treatment on survival without rearrest.

The basic function of the AASAP is to screen cases referred by the court into drinker classification categories so that appropriate decisions may be made about including alcohol education or treatment as an additional condition of sentencing. The general purpose is to obtain early identification of problem drinkers so that the effects of appropriate rehabilitation efforts might be increased through earlier intervention.

The information presented in this investigation generally supports the AASAP screening and alcohol education and treatment referral program. The results indicate positive outcomes (relative success) for problem drinkers. Exposure to AASAP screening and alcohol treatment would seem to have a positive influence on rearrest rate for problem drinkers.

The percentages of cases surviving one year for each of the analytic groups used in this brief investigation is presented in Table IV.

TABLE IV
SUMMARY OF PERCENTAGE OF CASES SURVIVING
FOR ONE YEAR BY ANALYTIC GROUPS

NPD - AASAP/Education	93.1
Satisfactory Completion	94.1
Unsatisfactory Completion	83.3
NPD - Control	89.5
PD - AASAP/Treatment	85.7
Satisfactory Completion	85.5
Unsatisfactory Completion	86.2
PD - Control	74.6

NPD = Non-Problem Drinkers
PD = Problem Drinkers

For non-problem drinkers, there is no significant difference in the percentage of cases surviving one year for the AASAP/Education and the control group. Survival is about the same for each group. However, for the non-problem drinkers in the AASAP/Education group, there is a significant difference in the survival for those who complete the alcohol education program compared to those who don't complete the program. This difference, however, is quite likely due to the fact of rearrest. It would seem that rearrest influences unsatisfactory completion, rather than vice versa.

For problem drinkers, exposure to AASAP screening and alcohol treatment seems to make a definite difference in survival. The percentage of cases surviving in this group is significantly greater than for the control group. There is no significant difference in survival for cases satisfactorily completing alcohol treatment, compared to those who do not complete treatment satisfactorily.

This information would indicate that AASAP screening for drinker classification and subsequent assignment to alcohol education or treatment did lead to the intended positive effect on survival rate during the one year follow-up observation period.

The findings of this investigation, however, are quite different from the findings of a similar investigation based

on aggregate data from several different ASAP demonstration programs nationwide (Nichols, et. al., 1978). In fact, the findings are quite the opposite of the national findings. For general comparison, the main findings of this investigation and national study findings for non-problem drinkers (social drinkers) and problem drinkers are:

Non-problem drinkers: national findings indicate that the non-problem drinker group exposed to alcohol education had a significantly lower rearrest rate than a control group. This investigation found no difference in rearrest rates for similarly composed comparison groups.

Problem drinkers: national findings indicate no difference in rearrest rate for problem drinkers exposed to ASAP screening and alcohol treatment compared to a control group. This study found an observable and statistically significant positive difference in the rearrest rate for problem drinkers exposed to AASAP screening and alcohol treatment, compared to a control group.

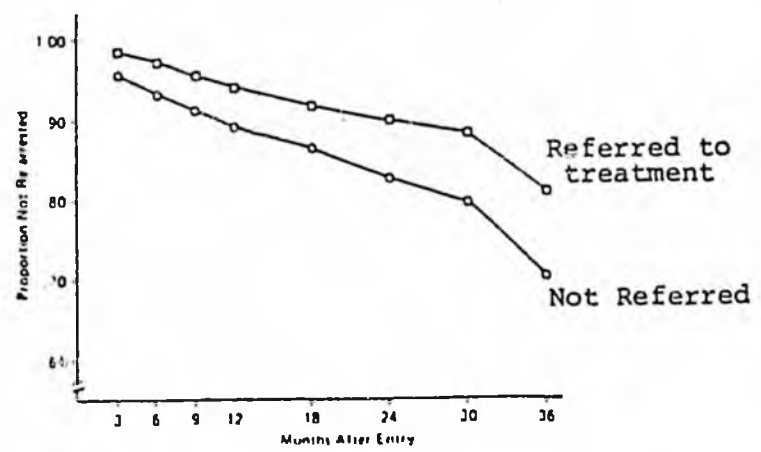
The findings presented in this investigation are consistent with the goals and objectives of the general ASAP effort. This effort, of course, concerns screening a large pool of designated cases to identify drinker types and then taking actions appropriate for each drinker classification. One of the outcome measures of these actions is a reduction in the rate of subsequent rearrest. In this regard, the national findings, that is the lack of positive difference in rearrest rate for problem drinkers screened and exposed to alcohol treatment, have been disappointing to program proponents. Given the contrast in findings and the extensive effort that has been expended on ASAP type program development and evaluation, further comparison of the findings, and the respective procedures and measures, is provided here.

Non-Problem Drinkers

For the purpose of direct comparison, the plotted cumulative survival rates for the national findings and this investigation are presented in Figure 8 (8A and 8B). The differences in the survival rates for the treatment and control groups for the two studies can be directly compared. As can be seen, the rearrest period for the national study is longer than for this investigation, so only equivalent periods should be considered. The observable patterns appear to be quite similar. In fact, the cumulative proportion of survivors (those not rearrested) after one year of the

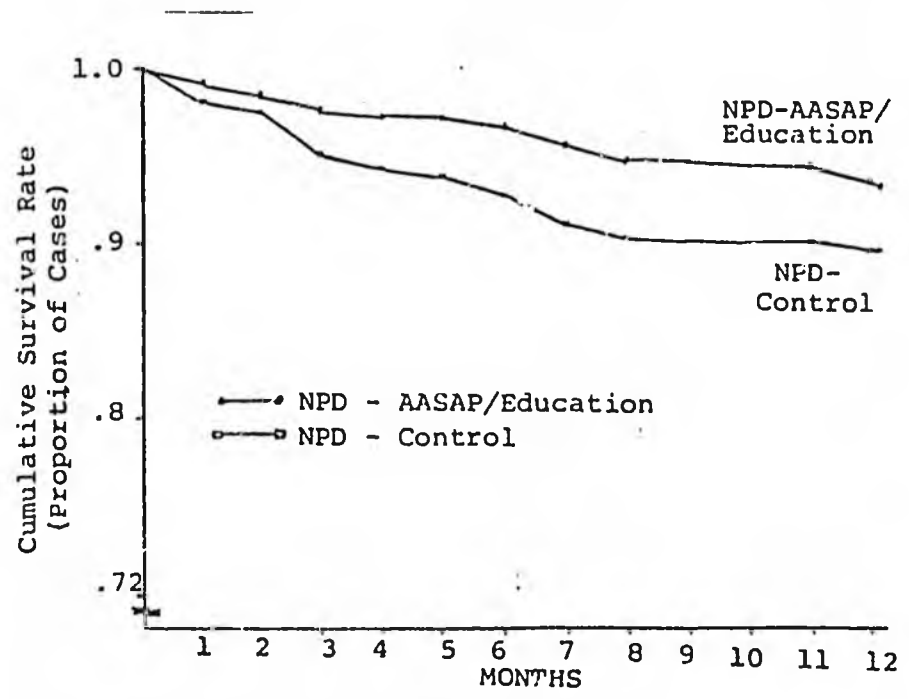
Figure 8
NATIONAL AND LOCAL SURVIVAL RATES
FOR NON-PROBLEM DRINKERS

Figure 8A NATIONAL ASAP SURVIVAL RATES FOR SOCIAL DRINKERS
REFERRED AND NOT REFERRED TO TREATMENT*



*Source: Nichols, et.al., 1978. Figure 2, P. 180.

Figure 8B ANCHORAGE ASAP SURVIVAL RATES FOR NON-PROBLEM
DRINKERS REFERRED AND NOT REFERRED TO TREATMENT**



**Source: See Figure 5, P. 24.

initial arrest appears to be the same, about 94 or 95% for the group exposed to ASAP screening and alcohol education and, 89% for the respective control groups. The national study reports statistically significant differences between groups at every quarter (three month period). The difference in survival rate for this investigation was only close to being statistically significant.

There are some differences in study procedures and in formation of outcome measures that might have some influence on the difference in the findings. But these differences also apply to consideration of the contrast in findings for problem drinkers. Since findings for problem drinkers are the main area of interest, these considerations are discussed in the next section.

Problem Drinkers

The findings for the rearrest outcomes of problem drinkers are, of course, the primary concern. Presumably, by definition and practical program operation, non-problem drinkers, or social drinkers, require less individual and collective attention and produce relatively less individual and social system impact. For the most part, they have no prior arrests and/or accidents, or at least only minor events; but nothing that would indicate previous problematic behavior. Similarly, individual questionnaire and interview

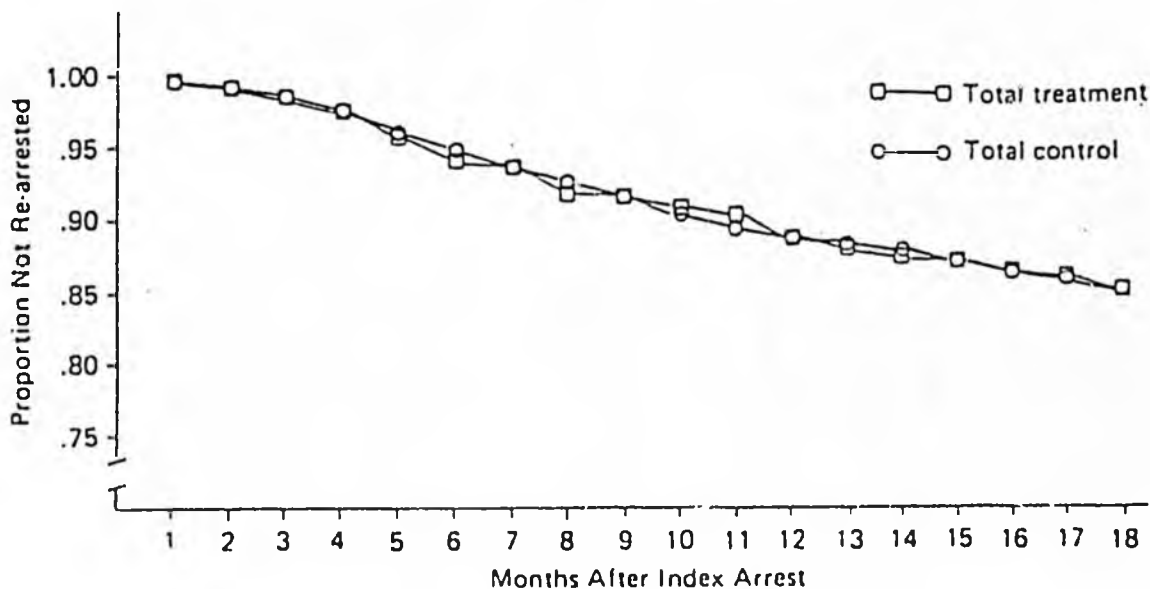
screening procedures indicate no cause for a problematic prognosis. Thus, the drinker classification of "non-problem". Only a small percentage of this group, whether treated (schooled) or not are rearrested. Comparatively, there is a much greater need for intervention to be successful for problem drinkers. The past behavior and future prognosis for this group is, of course, problematic. The potential individual and social consequences are very clear.

The cumulative survival rates for problem drinkers for both investigations are presented in Figure 9 (9A and 9B) for direct comparison. Note here again, that the follow-up observation period is different and only the equivalent periods should be compared. There is an observable difference in rearrest patterns for the comparison groups for the two investigations.

One particularly interesting point of comparison is the proportion of each group surviving the one year period. For the national study, about 90% of the problem drinkers in both the treatment and the control group survived one year without rearrest. (That's about the same as the survival rate for the non-problem drinker control group.) In this investigation, problem drinkers did not do so well as a group. After one year, about 86% of the treatment group survived, compared to about 75% of the control group.

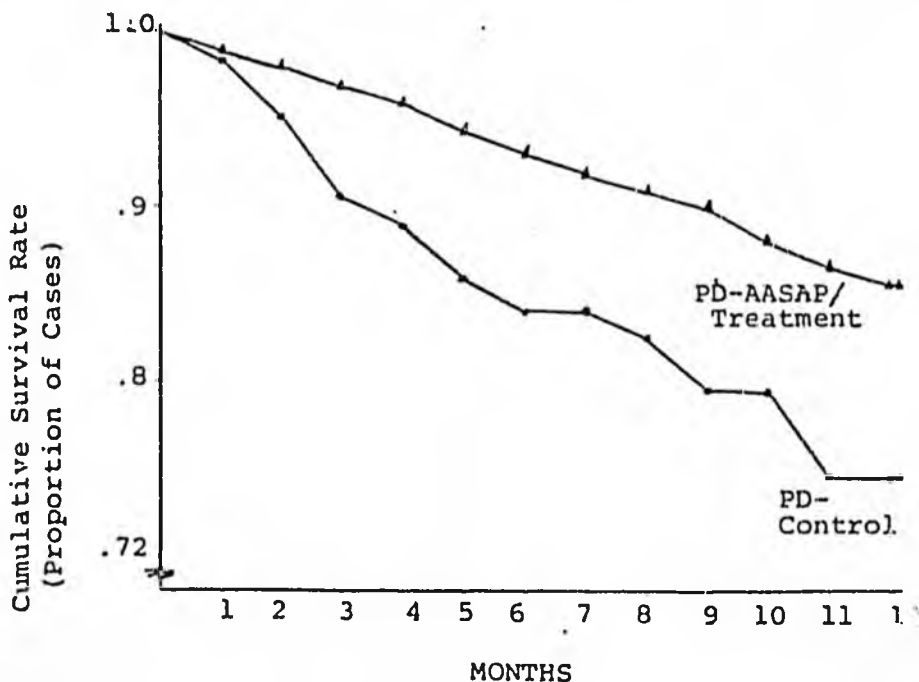
Figure 9
NATIONAL AND LOCAL SURVIVAL RATES
FOR PROBLEM DRINKERS

Figure 9A NATIONAL ASAP SURVIVAL RATES FOR TOTAL TREATMENT
AND CONTROL GROUPS* (PROBLEM DRINKERS)



*Source: Nichols, et. al., 1978. Figure 5, P. 182.

Figure 9B ANCHORAGE ASAP SURVIVAL RATES FOR PROBLEM DRINKERS
REFERRED AND NOT REFERRED TO TREATMENT**



**Source: See Figure 5, p. 24.

Items for Consideration in Comparison
of National and Local Findings

As indicated, there are differences in the procedures and outcome measures that need to be considered as possible sources of explanation for the contrasting findings. The national analysis of rearrest data for problem drinkers comes from a specially designed study to test the effectiveness of short term, court supervised rehabilitation for DWI offenders.

Cases included in the investigation came from eleven national ASAP demonstration programs that were able to work out agreements for random assignment of cases screened to various treatment and control (no treatment) groups. The critical part of this procedure was the ability to achieve random assignment of cases to treatment and control groups, which provides basic equivalency of the comparison groups. There are two major areas of consideration for comparison of the findings: comparability of the treatment and control groups; and, comparability of outcome measures.

A. Comparability of Treatment and Control Groups

It may be that the problem drinker group in the national study was really a less problematic subgroup of problem drinkers compared to the more conventional ASAP definition of problem drinkers. The definition of the problem drinkers for this investigation might include drinkers with more

serious problems. If this is the case, then the results of the present investigation would be even more dramatic. As noted above, the overall survival rate after one year for the problem drinker treatment group resembles that of the non-problem drinker control group for the national study. By definition and through support provided by validity studies of the ASAP drinker classification procedures, problem drinkers have a higher DWI rearrest rate than non-problem drinkers (Results of National Alcohol Safety Action Projects, 1979). In addition, selection of subjects for inclusion in the national study involved several stages of selection after initial drinker classification to determine "mid-range" problem drinkers.

One of the most critical criteria for problem drinker status is prior OMVI/DWI history. The existence of one or more priors is the single best indicator of problem drinker status, and also seems to be the variable that has the greatest influence of survival rate (Mushill and Struckman-Johnson, 1977). The national problem drinker treatment group involved "mid-range" problem drinkers. This group included 33.6% of its cases with one or more priors (Nichols, 1978), compared to the local AASAP screened/treatment group which included 48.4% of the cases with one or more priors.

The formation of the treatment and control groups for the national investigation was based on random assignment. The use of random assignment was not possible for this investigation. However, the non-problem and problem drinker control groups were defined in terms of prior OMVI/DWI record and thus did account for the greatest source of influence on rearrest. Thus, while the treatment and control groups were not determined by random assignment in this investigation, they were roughly balanced on the important variables. However balanced, the groups may not be considered as equivalent.

B. Comparability of Outcome Measures

There were also some differences in the nature of arrests used to define recidivism. The definition of recidivism in the national study involved arrests for OMVI/DWI, and also arrests for reckless driving and some other lesser alcohol-related charges (not specified). The present investigation, as explained earlier, defined recidivism in two different ways -- rearrest for OMVI/DWI only, and rearrest for any criminal offense (including OMVI/DWI).*

* The decision to define recidivism in the ways indicated for this investigation was based on previous work which pointed to the heavy caseload of alcohol-related misdemeanor cases, in addition to OMVI/DWI cases, on the district court and, the inaccuracy and difficulty of obtaining records of traffic cases. (Kelso, 1977)

Both of these definitions for the present study excluded serious traffic offenses such as reckless driving, or any other alcohol-related offenses. Thus, there is some variability in the nature of arrests considered in the definition of recidivism between the two studies.

CONCLUSION

Thus, it can be seen that the similarities between the investigations certainly warrant comparison, yet the differences cited indicate that caution is required for any direct comparisons. The evidence presented in this investigation indicates that the procedures and practices of AASAP screening and alcohol treatment and monitoring activities under court supervision are effective in deterring problem drinkers. The effectiveness of AASAP screening and alcohol education for social drinkers is not clear but the results are promising.

The findings of this study give reason for optimism in dealing with the problem drinking drivers. The present system would appear to be working in the manner intended. Although the effectiveness of the program for social drinkers is not clear, the screening function of the AASAP and the monitoring function, must be considered to be essentially effective. Comparison of these findings with similar national findings indicates the importance of the screening

and drinker classification for potential alcohol education or treatment success. There is evidence that referral of problem drinkers to larger, lecture type alcohol education programs rather than to alcohol treatment, may actually be harmful. Such practices have been associated with lower survival rates. More intensive alcohol treatment is more appropriate for problem drinkers. (Results of National Alcohol Safety Projects, 1979; Nichols, et.al., 1978)

This general finding about the relative success of AASAP screening and alcohol treatment for problem drinkers would need to be considered as particularly useful in view of the nature of the proportion of drinker types found among the OMVI/DWI district court caseload. Of all the OMVI/DWI court cases during the study year, 76.3% of the cases were referred to AASAP. Of that group, 63.6% of the cases were classified as problem drinkers, and 36.4% of the group were classified as non-problem drinkers. As mentioned, earlier, the relative proportion of problem and non-problem drinkers was reversed for court cases not referred to AASAP. The more interesting comparison, however, is the relative proportion of drinker types for the Anchorage ASAP compared to national ASAP averages. This comparison indicates that about 50% of the OMVI/DWI court cases referred to the national ASAP programs were diagnosed as problem drinkers. (Results of National Alcohol Safety Action Projects, 1979)

This is an average figure and based on information from

thirty-five demonstration programs across the country. Certainly there were variations in the figure across projects, but the comparison does provide a context for interpretation of the nature of the OMVI/DWI group in the Anchorage District Court, and the function of the drinker classification procedure performed by the AASAP. With such a larger distribution of problem drinkers in OMVI/DWI court referred population, the importance of drinker classification for more satisfactory case outcomes is clear, in view of the positive findings.

Late in the study year (October), a new law became effective which established mandatory minimum jail sentences for first and subsequent offenders and also "required" the court referral of OMVI/DWI cases for background investigation. While there would appear to be some difference in interpretation about the whether or not court referral is actually "required", among the district court judges, it might be expected that more court cases would be referred in the future. Judging by the distribution of cases not referred during the study, it would follow that the percentage of problem drinkers in the court referred group would decrease. This expected outcome, however, did not in fact occur. According to the AASAP Management Information System Reports, the actual proportion of problem drinkers increased in 1979 (AASAP Annual Report, 1979). Compared to 1978, where about 64% of the court referred cases were classified as problem drinkers, about 71% of the cases were so classified in 1979.

Part of the explanation may lie in the fact that there was also an increase in the number of non OMVI/DWI cases referred by the court during 1979, which were classified as problem drinkers. The actual distribution of drinker types among OMVI/DWI cases awaits further analysis.

The intended function of the AASAP drinker classification and caseload management operations for OMVI/DWI cases to achieve a greater coordination between the criminal justice system and the alcohol treatment system would appear to be supported by the available information. In different terms, the application of the health-legal, systems approach to produce a more effective drinking driver control system in Anchorage is successful. In view of the distinguishable findings, compared to national information, and the basic similarities in intent and procedures, it may be that the operations are just that much more effective. Informal observation indicates that the client monitoring and follow-up system of the AASAP, that accounts for the whereabouts and outcomes of each case to the court, (coordination between AASAP and the court, and between AASAP and treatment agencies) may have achieved an advanced and effective stage of operation not achieved collectively by the national ASAP demonstration programs. In addition, it may also be that the nature of the AASAP operations and the Anchorage caseload volume are particularly well balanced to produce an effective program. Further evaluation is, of course, needed to more systematically investigate outcomes and operations.

While the findings of a positive significant difference in survival rate for AASAP screened/alcohol treatment problem drinkers are encouraging, there are some reservations that must be kept in mind. The first reservation concerns the matter of equivalency between the problem drinker treatment group and the control group. The groups were roughly balanced but since there was no ability to either match or randomly assign groups, some caution in interpretation is still in order.

The second reservation concerns the length of the follow-up observation period. The one year period coincides with the typical period of probation defined by the court. Available national evidence indicates that the survival rates seem to be linear in nature (Nichols, et.al., 1978). Thus, one would have to expect a continued reduction in survival rates in subsequent years. Given the trends provided for social drinkers, this tendency would mean that there may yet be significant differences in the effectiveness of the procedures during the next (second) year after the initial arrest, if the same rates of rearrest are maintained for each group. For problem drinkers, the difference between the treatment and the control group would become even greater, if the same patterns continued during the next year.

Further research is needed to analyze the results for the following years to determine the nature of program effectiveness of over time. Additional research is also needed to further investigate the relative influence on survival rate of the AASAP screening and monitoring process in terms of the influence of exposure and/or completion of alcohol education and treatment programs.

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APPENDIX

BACKGROUND CHARACTERISTICS

APPENDIX
Background Characteristics

	Non-Problem Drinkers				Problem Drinkers			
	AASAP/Education		Control		AASAP/Treatment		Control	
<u>AGE:</u>	N	%	N	%	N	%	N	%
<19	33	10.4	20	9.6	23	4.1	2	3.1
20-39	203	63.8	144	69.2	139	60.6	39	60.9
40-59	70	22.0	39	18.8	176	31.5	20	31.3
>60	12	3.8	5	2.4	21	3.8	3	4.7
Total	318	100.0	208	100.0	559	100.0	64	100.0
\bar{x}	33.67		31.14		35.59		34.88	
Md	31.00		28.1		33.59		30.17	
<u>SEX:</u>								
Male	263	83.8	168	85.7	481	86.8	51	89.5
Female	51	16.2	28	14.3	73	13.2	6	10.5
Total	314	100.0	196	100.0	554	100.0	57	100.0
<u>RACE:</u>								
Black	3	1.4	5	3.7	16	4.4	1	2.9
Native	11	5.2	12	8.9	68	18.6	6	17.1
Caucasian	191	90.1	114	84.4	278	76.2	27	77.1
Other	7	3.3	4	3.0	3	0.8	1	2.9
Total	212	100.0	135	100.0	365	100.0	35	100.0

Appendix: Background Characteristics

	Non-Problem Drinkers				Problem Drinkers			
	AASAP/Education		Control		AASAP/Treatment		Control	
<u>MARITAL STATUS:</u>	N	%	N	%	N	%	N	%
Single	131	43.1	35	71.4	208	38.4	11	52.4
Divorced or Separated	53	17.4	4	8.2	133	24.5	7	33.3
Married	116	38.2	9	18.4	192	35.4	3	14.3
Widowed	4	1.3	1	2.0	9	1.7	0	0
Total	304	100.0	49	100.0	542	100.0	21	100.0
<u>EMPLOYMENT STATUS:</u>								
Employed	224	77.0	55	67.9	327	62.5	16	59.3
Unemployed	67	23.0	26	32.1	196	37.5	11	40.7
Total	291	100.0	81	100.0	523	100.0	27	100.0
<u>OCCUPATION:</u>								
Professional	44	16.9	2	4.4	38	8.4	2	11.8
Skilled	31	11.9	13	28.9	56	12.4	2	11.8
White Collar	27	10.4	3	6.7	27	6.0	0	0
Unskilled	140	54.1	23	51.1	298	66.2	11	64.7
Student	10	3.8	2	4.4	9	2.0	0	0
Other	6	2.3	0	0	15	3.3	1	5.9
None	1	0.4	2	4.4	7	1.6	1	5.9
Total	259	100.0	45	100.0	450	100.0	17	100.0

Appendix: Background Characteristics

	Non-Problem Drinkers				Problem Drinkers			
	AASAP/Education		Control		AASAP/Treatment		Control	
<u>INCOME:</u>	N	%	N	%	N	%	N	%
>25,000	10	3.7	4	30.8	24	4.8	1	11.1
15-25,000	10	3.7	2	15.4	29	5.8	1	11.1
10-15,000	18	6.7	2	15.4	36	7.3	2	22.2
8-10,000	18	6.7	1	7.7	35	7.1	0	0.
6-8,000	18	6.7	2	15.4	36	7.3	0	0.
4-6,000	37	13.7	0	0.	77	15.5	0	0.
2-4,000	58	21.5	2	15.4	78	15.7	3	33.3
<2,000	101	37.4	0	0.	181	36.5	2	22.2
Total	270	100.0	13	100.0	496	100.0	9	100.0
<u>EDUCATION:</u>								
Less than 12 yrs.	61	20.9	6	21.4	137	26.2	3	20.0
H.S. Diploma	137	47.1	18	64.3	272	52.0	8	53.3
Technical School	5	1.7	0	0.	11	2.1	1	6.7
Some College	60	20.6	4	14.3	86	16.4	3	20.0
College Degree	19	6.5	0	0.	7	1.3	0	0.
Graduate School	4	1.4	0	0.	6	1.1	0	0.
Graduate Degree	5	1.7	0	0.	4	0.8	0	0.
Total	291	100.0	28	100.0	523	100.0	15	100.0

Appendix: Background Characteristics

TYPE CHARGE:	Non-Problem Drinkers				Problem Drinkers			
	AASAP/Education		Control		AASAP/Treatment		Control	
	N	%	N	%	N	%	N	%
City	165	51.7	110	52.9	357	63.8	35	54.7
State	154	48.3	98	47.1	203	36.3	29	45.3
Total	319	100.0	208	100.0	560	100.0	64	100.0
<u>SENTENCE FINE:</u>								
\$0	21	6.6	27	12.9	64	11.4	12	18.8
\$1-99	0	0.	0	0.	2	0.4	0	0.
\$100-199	12	3.8	13	6.2	30	5.4	3	4.7
\$200-299	53	16.7	19	9.0	78	13.9	5	7.8
\$300-399	105	33.0	48	22.9	132	23.6	13	20.3
\$400-499	113	35.5	96	45.7	168	30.0	13	20.3
\$500-1000	14	4.4	7	3.3	86	15.4	18	28.1
Total	318	100.0	210	100.0	560	100.0	64	100.0
\bar{x}	308.18		299.67		309.91		325.78	
Md	317.94		358.57		321.90		350.00	

Appendix: Background Characteristics

	Non-Problem Drinkers				Problem Drinkers			
	AASAP/Education		Control		AASAP/Treatment		Control	
SENTENCE <u>JAIL (DAYS):</u>	N	%	N	%	N	%	N	%
Zero Days	15	4.7	20	9.5	18	3.2	4	6.3
1	85	26.7	27	12.9	75	13.4	4	6.3
2	123	38.7	97	46.2	176	31.4	11	17.2
3	49	15.4	30	14.3	88	15.7	6	9.4
4	4	1.3	4	1.9	8	1.4	2	3.1
5-9	21	6.6	19	9.0	81	14.5	8	12.5
10	8	2.5	3	1.4	56	10.0	13	20.3
11-29	7	2.2	9	4.3	33	5.9	4	6.3
30-59	5	1.6	1	0.5	17	3.0	7	10.9
60-89	0	0.	0	0.	5	0.9	2	3.1
90-365	1	0.3	0	0.	3	0.5	3	4.7
Total	318	100.0	210	100.0	560	100.0	64	100.0
\bar{x}	3.50		3.21		6.83		22.39	
Md	1.98		2.10		2.63		5.21	
SENTENCE <u>LICENSE ACTION:</u>								
Limited	91	28.8	28	13.3	101	18.1	10	15.6
Suspended	132	41.8	63	30.0	280	50.1	23	35.9
Revoked	72	22.8	94	44.8	149	26.7	27	42.2
No Action	21	6.6	25	11.9	29	5.2	4	6.3
Total	316	100.0	210	100.0	559	100.0	64	100.0

Appendix: Background Characteristics

PREVIOUS OMVI'S (FREQUENCY):	Non-Problem Drinkers				Problem Drinkers			
	AASAP/Education		Control		AASAP/Treatment		Control	
	N	%	N	%	N	%	N	%
None	294	91.9	210	100.0	289	51.6	0	0.
One	18	5.6	0	0.	163	29.1	41	64.1
Two	5	1.6	0	0.	59	10.5	10	15.6
Three	1	0.3	0	0.	23	4.1	6	9.4
Four	2	0.6	0	0.	17	3.0	3	4.7
Five	0	0.	0	0.	8	1.4	0	0.
Six	0	0.	0	0.	1	0.2	1	1.6
Seven	0	0.	0	0.	0	0.	0	0.
Eight	0	0.	0	0.	0	0.	2	3.1
Nine	0	0.	0	0.	0	0.	1	1.6
Total	320	100.0	210	100.0	560	100.0	64	100.0
One or More Priors	26	8.1	0	0.	271	48.4	64	100.0

HB

||

Alaska State Legislature

House of Representatives

Al Adams

Chairman

Committee on Finance



Official Business

February 23, 1983

WHILE IN SESSION

Pouch V

State Capitol

Juneau, Alaska 99811

(907) 465-3706

OUT OF SESSION

P.O. Box 333

Kotzebue, Alaska 99752

(907) 442-3320

1024 W. 6th

Anchorage, Alaska 99501

(907) 274-0615

MEMORANDUM

TO: House Finance Committee Members

FROM: Al Adams, Chair *APA*
House Finance Committee

SUBJ: Comparison of HB 11 and SS HB 85

Similarities

Both bills would repeal the permanent fund dividend program for 1983 and subsequent years.

Both bills contain a section regarding compilation of jury lists (section 4 of HB 11 and section 1 of SS HB 85). Each section would delete use of the Department of Revenue's list of individuals who filed for a permanent fund dividend in compiling names of individuals for jury duty.

Differences

The most significant difference in the two bills concerns the fate of the income from investment of the principal. Under current law, 50% of net income is transferred to the permanent fund dividend account to pay dividend checks. Additionally, an amount sufficient to offset inflation reverts back to the principal, and the remaining income goes to the undistributed income account for reinvestment.

HB 11 leaves the statute regarding computation of net income (AS 37.13.140) and disposition of income (AS 37.13.145) intact. Therefore, after "inflation proofing" the principal, all the rest of the net income would go to the undistributed income account.

SS HB 85, on the other hand, provides that, after a brief stopover in the undistributed income account, all the income would revert back to the principal "to be treated as principal of the permanent fund in all respects".

Excerpt from Attorney General's Opinion Re: Appropriation Limit
Questions, Pertinent to the Permanent Fund Dividend Program

dends;

- (2) an appropriation of revenue bond proceeds;
- (3) an appropriation to pay principal and interest on general obligation bonds;
- (4) an appropriation of money received from nonstate sources in trust for a specific purpose, including revenues of a public corporation that issues revenue bonds; and
- (5) an appropriation to meet a state of disaster declared by the governor.

You have requested our interpretation of exceptions (1) and (3) set out above.

A. Alaska Permanent Fund Dividend Exception

The appropriation limit provides: "Except for appropriations for Alaska permanent fund dividends ... appropriations from the state treasury made for a fiscal year shall not exceed \$2,500,000,000...." A question obviously arises as to whether "Alaska permanent fund dividends" means only those cash payments provided to individuals under AS 43.23 or if the word "dividend" encompasses other concepts for the distribution of income earned by the Alaska permanent fund.

We believe the answer to your question concerning appropriations for permanent fund dividends depends on whether the exceptions will be construed strictly or liberally. Usually;

provisions in a state constitution are construed liberally using the same rules of construction prescribed for other laws with regard given to the broader object and scope of the constitution as a charter of popular government. Eghert v. Dunseith, 24 N.W.2d 907 (N.D. 1946); 168 A.L.R. 621. Professor Sutherland explains the modern view for construing express exceptions as follows:

The older rule strictly interpreted both exceptions and provisos but today the prevailing view favors determining the effects of such provisions according to the usual criteria of decision applicable to other kinds of provisions as well without the use of any artificial presumptions to the effect that qualifying language should be strictly construed.

SUTHERLAND STATUTORY CONSTRUCTION § 47.11 (4th ed. 1974)(footnotes omitted). The FCC did not express an intent to limit this exception to only appropriations to finance cash payments to individuals under AS 43.23.

The appropriation limit must be interpreted consistently with the permanent fund amendment contained in article IX, section 15. Section 15 provides that the legislature may dispose of the income of the Alaska permanent fund "as provided by law." Each legislature may reexamine existing law and enact different laws providing for the use of income earned by the Alaska permanent fund. If section 16 were interpreted so that the exception to permanent fund dividends applied only to appropriations to finance cash dividends under AS 43.23, the legislature would essentially be denied the flexibility to adjust to changing philoso-

phies concerning the propriety of making cash payments directly
to residents which section 15 expressly reserves to it. 2/ In
interpreting and applying the constitution, it must be remembered
that the constitution is not a lifeless or static instrument
whose interpretation is confined to conditions and outlooks which
prevailed at the time of its adoption. Yakus v. United States,
321 U.S. 414 (1944); Warwick v. State, 548 P.2d 384 (Alaska
1976).

The word "dividend" has no precise legal meaning.
Trustees of University v. North Carolina R. Co., 13 WORDS AND
PHRASES 107 (Permanent ed.); 22 Am. Rep. 671. Webster defines
"dividend" as follows: "an individual share of something distri-
buted among a number of recipients." We are not aware of any
legal principle which would preclude the characterization of oth-
er distribution programs as "dividends." Rather, the words used

2/ The Thirteenth Legislature may reject direct cash distribu-
tion in favor of a plan which it determines will promote public
purposes more effectively. During the period of consideration
and adoption of the appropriation limit, the permanent fund divi-
dend law was undergoing considerable scrutiny and change by both
the legislature and the courts. The legislature adopted the pro-
posed appropriation limit amendment on July 15, 1981. At that
time the question of the constitutionality of the permanent fund
dividend program as it was then structured was on appeal to the
United States Supreme Court. On June 14, 1982, the United States
Supreme Court issued an opinion which found the method estab-
lished for determining the amount of dividends under that program
void because the method promoted discrimination based on length
of residence in the state. On August 13, 1982, amendments to the
dividend law took effect. The people were undoubtedly aware that
the dividend law in effect on election day in 1982 was not chis-
eled in marble.

by the drafters of the amendment afford broad latitude to the legislature to enact new distribution programs which will not be impaired by the appropriation limit.

It is well-settled law that a provision of a state's constitution must receive a liberal, practical construction to meet changed conditions and growing needs of the people. County of Alameda v. Sweeney, 312 P.2d 419, 424 (Cal. 1957). Under the permanent fund amendment, the discretion granted to the legislature to enact, amend, or repeal the present dividend program under AS 43.23 to meet the growing needs of the people is unfettered. However, the operation of exceptions from the appropriation limit must be interpreted consistent with the intent of the framers of the organic law and of the people adopting it. State v. Lewis, 559 P.2d 630, 637 (Alaska 1977).

One important consideration should be carefully observed. The Alaska Supreme Court has found that the purpose of the existing dividend program is to force the legislature to consider the reimposition of taxes when the decline of oil revenue encourages resort to permanent fund income to finance state government. Williams v. Zobel, 619 P.2d 448, 454 (Alaska 1981), rev'd 451 U.S. 905 (1982). The people can be expected to vigilantly protect their dividends by forcing the legislature to seek sources other than the permanent fund to finance state government. If a substitute distribution program accomplishes the same

'purpose, it will more likely qualify under the exception in section 16 than if it fails to achieve that purpose. If the constituency benefitted by a dividend is narrow, the dividend may not be a dividend in the sense intended by the drafters of section 16 and the people who adopted it. Proposals soon to be considered by the legislature include replacing the existing distribution to all residents with a distribution of part of the permanent fund income to municipalities and as a substitute for the existing longevity bonus, and use of a part of the income to finance large capital projects.

A vast majority of the population of the state resides in or is served by municipal governments. It is also a fact that we all seek security for our "golden years." The constituents of these proposals seem broad enough to satisfy the purpose of the current dividend law. The use of permanent fund income to finance large capital projects presents a closer question. The character of each project must be considered to determine if it serves a state public purpose, rather than a local special purpose. Additionally, if the project is viewed as merely an alternate way of financing state government operations, the basic intent of the dividend law might not be served.

We cannot advise with certainty whether the financing of large capital projects with permanent fund income would constitute a dividend of the Alaska permanent fund for purposes of

the appropriation limit. Some may argue that the benefits provided by "public works" projects are too localized to approximate the benefits provided by the existing dividend law. However, in State v. Lewis, 559 P.2d 630 (Alaska 1977), the Alaska Supreme Court decided that "[l]egislation need not operate evenly in all parts of the state to avoid being classified as local or special." Lewis at 643. A definite answer will come only when the courts interpret article IX, section 16 of the Alaska Constitution. However, we believe that if the legislature enacts a distribution program which is consistent with the intent of the permanent fund dividend law, any appropriation to implement that program will be exempt from the appropriation limit.

B. Appropriations Required to Pay the Principal and Interest on General Obligation Bonds

Under AS 43.18.100 -- 43.18.135 the state, subject to available appropriations, reimburses municipalities for the payment of a percentage of principal and interest to retire general obligation bonds issued by the municipality to finance school construction costs. Although they have been amended from time to time, these statutes have been in effect since 1971. You have asked whether appropriations to retire municipal general obligation debt are within the exception stated to the appropriation limit.

The exception reads as follows: "Except for ... appro-

STATE OF ALASKA

DEPARTMENT OF REVENUE

OFFICE OF THE COMMISSIONER

BILL SHEFFIELD, GOVERNOR

POUCH 5
JUNEAU, ALASKA 99811
PHONE: (907) 465-2300

February 3, 1983

The Honorable Mitch Abood, Jr., Chairman
House State Affairs Committee
Alaska State Legislature
Pouch V
Juneau, Alaska 99811

Dear Representative Abood:

I appreciate this opportunity you have given me to submit additional information on the effect the Permanent Fund Dividend Program has had on the national image of Alaska. While the impact was never expected to be favorable, it has turned out to be much worse than feared.

From Seattle to Miami, Boston to Los Angeles, Dallas to Chicago, newspapers articles and editorials have been headlined with such banners as "Alaska's New Giveaway Of Our Money" (Chicago Sun-Times, 7/10/82), "Alaskans Pipe Up To Get Share Of Oil-Profit Funds" (The Dallas Morning News, 7/19/82), "Fraud and Greed Hinder Program To Distribute Alaska Oil Money" (New York Times, 8/29/82), "Alaskans May Divvy Up \$415M[illion]" (Boston Herald American, 6/5/82), and "\$1,000 Checks for Everyone Fail To Make Alaskans Happy" (Washington Post, 8/22/82). People Magazine, in its August 30, 1982 issue, featured an article entitled "The Great Alaskan Giveaway Puts Gold In Them Thar Mailboxes." Accompanying the article were pictures of a woman kissing the mailman as he delivers her check, another happy Alaskan smilingly sporting her new mink coat and a 12 year old girl trying out a new waterbed. In these recessionary times with high unemployment and high energy prices nationwide, articles like these do not endear our State to our fellow Americans.

The underlying theme throughout all of the articles is that Alaskans are sharing in the oil wealth created by taxes imposed on our oil. In a June 10, 1982 Chicago Sun-Times editorial, the newspaper stated:

The money is out of the pockets of, and should be shared with all Americans--the people who buy and consume energy.

The editorial proceeded with strong suggestions that Congress should limit State severance taxes and impose a national severance tax to be shared with all of the States. Similar sentiment was expressed in a Cincinnati Inquirer editorial:

The Honorable Mitch Abood, Jr., Chairman
House State Affairs Committee
February 3, 1983
Page 2

Talk about a recession anomaly--the County Commissioners' Association of Ohio has found a whopper: Alaska is so rich that it is doling out \$1,000 checks to each of its 415,000 residents. What's worse, part of the dole comes from Ohioans.

The net energy using States, with many being members of a group called the Northeast-Midwest Coalition, are looking at their net energy producing sisters with a combination of jealousy and resentment. They look at Alaska with its balanced budget, contributions from the general fund into the Permanent Fund and Permanent Fund Dividend distribution and compare that situation with that in their own States where many of their residents are wondering how much longer they will be receiving a pay-check, or worse, an unemployment check. Convinced that the energy producing States are exporting energy taxes, legislation has been introduced in Congress to limit the levels of State severance taxes.

The power of a State to impose a severance tax was upheld in the 1981 U.S. Supreme Court decision in Commonwealth Edison Company v. Montana. That court upheld Montana's 30% severance tax on coal but qualified the holding by saying that though the power to impose the tax is clear, the level of the tax is essentially a matter for legislative and not judicial resolution. Thus, the bills which have been introduced seek only to limit rather than eliminate State severance taxes.

During the last session of Congress, two bills were introduced to limit State severance taxes. H.R. 6330 was introduced by Representative Wolpe on May 6, 1982, and Senator Dixon introduced S. 2890 on September 8, 1982. Both bills would limit State severance taxes while H.R. 6330 additionally would impose a national severance tax on crude oil, natural gas, or coal. H.R. 6330 would limit the level of tax to the 1978 level adjusted for inflation while the rate under S. 2890 would be limited to a rate to generate revenue sufficient to meet the costs incurred by the State and any political subdivision thereof which are directly attributable to the production within the State of crude oil, natural gas, or coal. "Severance taxes" are defined in the bills as any tax or fee levied on, measured by, or otherwise imposed with respect to crude oil, natural gas, or coal. Not included in the limitation are income, sales, property or other taxes which apply with respect to a broad range of business activity or property types and which do not result in a significantly higher rate of tax than that imposed on other activities or property.

The impact on Alaska revenue would be disastrous if either of these bills became law. Our estimates indicate that between \$5 billion and \$8 billion in revenues would be lost during the period from 1985 through 1990. Though the best economic analyses end with the conclusion that

The Honorable Mitch Abood, Jr., Chairman
House State Affairs Committee
February 3, 1983
Page 3

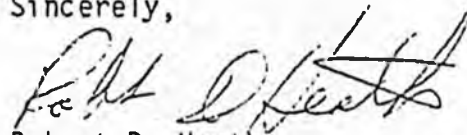
Alaska's oil severance taxes are not passed forward to consumers because of the price of the oil is determined in the marketplace and not by the producers, severance tax limiting legislation will remain alive and threatening so long as the public believes the energy producing states and their residents are becoming personally and individually rich at their expense.

Another area of concern in which Congress may affect the State's revenue is the exemption of State royalty oil and gas from the Windfall Profit Tax Act of 1980. Oil produced at Prudhoe Bay is subject to the Windfall Profit Tax but the State enjoys an exemption from the tax on its 12 1/2 percent royalty interest. Should the Windfall Profit Tax extend through 1993 and the State lose its royalty exemption, we estimate the revenue loss to be approximately \$1.2 billion. It is not impossible that those seeking severance tax limitations would also attempt to destroy the State royalty exemption or any other special treatment afforded Alaska and other net-energy producing States.

The cost of energy and the problems in the economy are emotional issues, and emotion sometimes overpowers the most brilliant economic analyses. We do not believe that residents of other States bear the burden of Alaska taxes on oil production because of the basic nature of the crude oil market itself. Governor Sheffield's recommendation to end the Permanent Fund Dividend program is timely and appropriate. The Governor's alternatives for the beneficial use of earnings from the Permanent Fund, creation of the Alaska Investment Fund, reinvestment in the Permanent Fund to protect the Fund from inflation, State revenue sharing, municipal assistance, and the longevity bonus program, would result in the equitable distribution of benefits throughout the state while at the same time providing for a more evenly balanced economic growth. The short-term benefits of the Dividend program are substantially outweighed by the resulting threat to our basic sources of revenue through acts of Congress in response to the expressions of burden and outrage by their constituents.

For your reference I have enclosed brief analyses of H.R. 6330 and S. 2890 along with a summary of our calculations of State revenue losses which would result from the passage of either bill. You will also find our calculations of the expected loss from the State royalty oil exemption under the Windfall Profit Tax Act and various press articles and editorials referring to or commenting on the Permanent Fund Dividend program. If I can be of further assistance, please call on me.

Sincerely,



Robert D. Heath
Commissioner of Revenue

RDH:DMB:mc

Enclosures

STATE OF ALASKA
DEPARTMENT OF REVENUE

FEDERAL LEGISLATION

This summary reflects certain tax areas for which bills have been introduced in Congress. Though the bills may not still be active, they are indicative of the type of legislation we expect to be discussed in the future.

S. 2890

A bill to amend the Internal Revenue Code of 1954 to limit the amount of severance taxes imposed by States on oil, natural gas, and coal.

Summary: This bill would limit severance tax collections to an amount equalling the costs incurred by the State or any political subdivision which are directly attributable to the production of crude oil, natural gas, or coal. The burden of proof to substantiate the rate of tax is on the taxpayer if the severance tax rate does not exceed the 1978 rates and on the States if the rate is higher than the 1978 rate, with the 1978 rate adjusted for inflation. The U.S. Attorney General or taxpayer may bring suit challenging the rate of tax. Severance taxes are defined as taxes on the production of coal, oil or natural gas and include any taxes which impose a significantly higher rate on producers and production property than on other activities or property. This bill is based on the theory that a State severance tax is exported to consumers.

Revenue Impact: We estimate that the bill would effectively limit Alaska severance taxes to the 1978 levels. Estimated revenue loss to the State would be between \$5 billion and \$8 billion over the period 1985 through 1990.

Position: Our interest of course is primarily in the oil severance tax limitation. Severance taxes are not carried forward to consumers because the price of oil is determined in the marketplace which prevents producers from adding on severance taxes to raise prices above the market price. The bill would harm the States which need additional revenues under the new Federalism of the Reagan administration while not benefitting consumers. Alaska opposes this bill.

H.R. 6330

A bill to limit State severance taxes and impose a national severance tax on crude oil and limit State severance taxes on crude oil, natural gas and coal.

Summary: The proposed National Crude Oil Profit-Sharing Act would establish a 30 percent permanent profit sharing tax on crude oil to be paid by producers. 75% of the proceeds of such a tax would be applied to the Federal deficit with the remaining 25% to be distributed by block grants to the States. The bill would also limit State severance taxes to their 1978 levels, adjusted for inflation.

Revenue Impact: The revenue impact would be similar to S. 2890, between \$5 billion and \$8 billion over the period 1985 through 1990. Because the proposed methods for determining block grants disfavor Alaska, little, if any, of the loss would be made up by block grants. Additional losses would result if the national severance tax increased oil prices with a corresponding decrease in demand.

Position: This proposed act would be detrimental to the national economy. No tax is proposed for imported oil which may result in a price benefit to foreign producers. Northeastern States which rely substantially on foreign oil would directly benefit from any price differential. The national severance tax would cause inflation by increasing the price of domestic oil equal to the market price (domestic oil is currently selling below the OPEC price). The increased production cost due to the new tax would discourage domestic production and new exploration and development increasing unemployment and greater dependency on foreign producers. Because of the market pricing structure consumers would not benefit from reduction in State severance taxes. With the proposed block grant structure, producing States subject to the boom and bust socioeconomic effects of resource development would be losing severance tax income. In addition, the sharing of the proceeds of the national severance tax favors the populous net energy using States. Alaska opposes this legislation.

DECEMBER 1982 FORECAST ASSUMPTIONS

Severance Tax Revenues Using "Wolpe" Cap

	N O R T H S L O P E				C O O K I N L E T					Total Revenue	
	Oil Production (MMbbls/day)	\$/bbl	Gas Production (bcf/day)	\$/Mcf	North Slope Revenue (MM\$)	Oil Production (MMbbls/day)	\$/bbl	Gas Production (bcf/day)	\$/Mcf*		Cook Inlet Revenue
FY 1985	1.726	.5928	.024	.0603	373.99	.0524	.5928	.451	.0603	21.26	395.25
1986	1.817	.6343	.024	.0645	421.24	.0466	.6343	.499	.0645	21.36	442.60
1987	1.830	.6786	.024	.0739	453.92	.0415	.6736	.651	.0739	27.84	481.76
1988	1.830	.7262	.024	.0791	485.76	.0364	.7252	.651	.0791	28.44	514.20
1989	1.890	.7770	.024	.0846	536.75	.0318	.7770	.651	.0846	29.12	565.87
1990	1.716	.8314	.024	.0905	521.53	.0276	.8314	.645	.0905	29.68	551.21

* Assumes language of HR 6330 introduced by Mr. Wolpe May 6, 1982.

Decrease in Projected Severance Tax Due to Imposed Cap
(Millions \$)

	Current Estimated Severance	Estimated Severance With Cap	Net Revenue Loss	Current Estimated Severance	Estimated Severance Cap	Net Revenue Loss
FY 1985	1220.34	395.25	825.09	1450.49	395.25	1095.24
1986	1333.81	442.60	891.21	1639.44	442.60	1196.84
1987	1354.78	481.76	873.02	1729.05	481.76	1247.29
1988	1532.76	514.20	1013.56	2003.62	514.20	1489.42
1989	1449.79	565.87	883.92	1973.71	565.87	1407.84
1990	1288.94	551.21	737.73	1948.92	551.21	1397.71
			5224.53 (30% Case)			7834.34 (Mean Case)

IMPACT OF WINDFALL PROFITS TAX ON ANS ROYALTY CRUDE OIL

	<u>Base Price¹</u>	<u>Removal Price²</u>	<u>North Slope Production Tier One (MMbbls/day)</u>	<u>Royalty Share (MMbbls/day)</u>	<u>State WPT Liability (Millions \$)</u>
³ FY 1983	16.50	19.601	1.524	.191	151.26
1984	17.51	17.36	1.505	.188	0
1985	18.73	18.22	1.495	.187	0
1986	20.04	19.87	1.535	.192	0
1987	21.45	21.01	1.523	.190	0
1988	22.95	24.45	1.523	.190	72.82
1989	24.55	27.14	1.523	.190	125.73
1990	26.27	30.15	1.346	.168	166.55
1991	28.11	33.69	1.136	.142	202.45
1992	30.08	37.65	.949	.119	230.16
1993	32.19	41.80	.835	.104	255.36
					<u>1204.33</u>

¹ Assumes Inflation 4% FY 1983
6% FY 1984
7% FY 1985-1987

² Average expected wellhead (Pump Station One) price from December Forecast assumptions. Notice that windfall tax base falls to zero as real oil prices decline, then becomes positive as real oil price begins in the late 1980's.

³ Windfall tax life assumed through FY 1983 (see WPT Act).

MEMORANDUM

State of Alaska

TO: Louann Cutler
Professional Assistant
House Finance Committee

DATE: February 23, 1983

FILE NO:

TELEPHONE NO: 465-2302

FROM: Joseph K. Donohue *JK Donohue*
Deputy Commissioner, Taxation
Department of Revenue

SUBJECT: PFD Appropriations

At your request, I have prepared the attached chart tracing the appropriations made to the PFD program from inception to date.

JKD:EJ:ms

Appropriation History of PFD Program

FY 81 Ch 120 SLA 80 Sec. 52

TOTAL Appropriations for 1979 Dividend Payments	\$129,330,300
Administrative Cost Allocation from Fiscal Note SB 122 Ch. 21 SLA 80	
Enforcement Division	\$378,100
Audit Division	12,100
Admin. Services	<u>440,100</u>
 TOTAL Administrative Cost	 (830,300)
 Supplemental Ch. 92 SLA 81 for 1979 Dividend Payments	 <u>12,500,000</u>
 Available for 1979 Dividend Payments	 <u><u>\$141,000,000</u></u>

FY 82 Ch 82 SLA 81

Total Appropriation for 1980 Dividend Payments	\$149,961,800
The balances of administrative costs from FY81 were carried forward in FY82.	
Refundable Credits (Included in total)	<u>(1,632,000)</u>
 Available for 1980 Dividend Payment	 <u><u>148,329,800</u></u>

A supplemental for \$419,000 was received, Ch 101 SLA 82 Sec. 52, for administrative costs associated with PFD processing.

FY 83 Ch 101 SLA 82 Sec. 18

Total Appropriations for 1981 Dividend Payments	\$150,400,000
Administrative Cost Allocation from Fiscal Note SB 842 Ch 102 SLA 82	
Enforcement Division	\$777,200
Public Services	824,900
Treasury Division	159,800
Administrative Services	<u>834,400</u>
 TOTAL Administrative Costs	 <u>(2,596,300)</u>
 Available for 1981 Dividend Payments	 <u><u>\$147,803,700</u></u>

Chapter 101 SLA 82 Sec. 17 reappropriated Ch 120 SLA 80, Ch 82 SLA 81, and Ch 92 SLA 81 for the purpose of making 1979 and 1980 Permanent Fund Dividend Payments.

Chapter 101 SLA 82 Sec. 19 further appropriated the above for the purpose of making Permanent Fund Dividend payments under any bill passed by the Twelfth Legislature in event the original Permanent Fund Dividend Program was invalidated by the US Supreme Court.

The Supreme Court ruled the original program invalid. Senate Bill 842 was signed and became Chapter 102 SLA 82. This established the new Permanent Fund Dividend program.

The total available for \$1,000 dividend payments as a result of reappropriation was: \$437,133,500

FY 84

At the recommendation of the Office of Management and Budget, the Department of Revenue reflected the FY84 administrative cost of the PFD distribution program in the operating costs of the Department. This was done in recognition of the PFD program as an on-going function of this Department. The net result was to reflect the \$2.6 million in the FY84 budget as continuation.

In preparing the FY84 Executive Budget, OMB chose to reflect the repeal of the PFD program. In so doing, the administrative costs of each affected BRU was reduced as follows:

Enforcement	(\$ 689,700)	
Admin. Services	(654,800)	
Public Services	789,400)	
Treasury	(160,600)	
	TOTAL Reduction	(2,294,500)

The total to be distributed in FY84 is approximately \$170 million, the sum of one half the FY82 earning of the Permanent Fund and one-half the estimated FY83 earnings of the Permanent Fund.

FY 85

The estimated amount to be distributed in FY85 under current law is \$122 million.

PROPOSED FY 84 BUDGET FOR REPEAL OF PFD PROGR

Attachment D

Reduction due to Dividend Repeal

<u>Division</u>	<u>\$</u>	<u>PFT Positions Deleted</u>	<u>PPT/Temp. Positions Deleted</u>
<u>Administrative Services</u>	654.8		
Personal Services	205.0		15
Contractual Commodities	447.7 2.1		
<u>Enforcement</u>	609.7		
Personal Services	568.5	7	
Travel	43.5		
Contractual	72.6		
Commodities	5.1		
<u>Public Services</u>	789.4		
Personal Services	356.8		14
Travel	68.9		
Contractual	360.5		
Commodities	3.2		
<u>Treasury</u>	160.6		
Personal Services	57.8	1	1
Travel	4.2		
Contractual	95.4		
Commodities	3.2		
Total Impact	2294.5	8	30

LEGISLATIVE FINANCE

REQUEST Bill/Resolution No. HB 11
Title repealing the permanent fund dividend program
Requested by House State Affairs Committee Date 1/21/83

II. FISCAL DETAIL

Agency Affected Revenue
Program Category Affected Revenue Operations
BRU, Program, Or Subprogram(s) Affected Public Services

(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)

Table with 7 columns (FY 83 to FY 88) and 7 rows (100 PERSONAL SERVICES to 700 GRANTS, CLAIMS, ETC.). Total row shows -0- for all years.

FUNDING (Thousands of Dollars)

Table with 7 columns (FY 83 to FY 88) and 3 rows (GENERAL FUND, FEDERAL FUNDS, OTHER (Specify Source)).

POSITIONS

Table with 7 columns (FY 83 to FY 88) and 3 rows (FULL TIME, PART TIME, TEMPORARY).

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

Repeal of the permanent fund dividend program is already reflected in the Executive Budget.

IV. DATE 1/27/83 PREPARED BY P A Wall
AGENCY Revenue
PHONE 465-2393

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

33-001 (Rev. 12/82)

OMB Reviewed by: Glen Price

Handwritten signature of P A Wall

Handwritten initials GP

Handwritten initials SP

FISCAL NOTE

I. REQUEST

Bill/Resolution Number: HB 11

Title: An Act repealing the permanent fund dividend program.

Requested by: House State Affairs Committee Date: January 21, 1983

II. FISCAL DETAIL

Agency Affected: Revenue

Program Category Affected: Permanent Fund, Dividend Fund

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 83	FY 84	FY 85	FY 86	FY 87	FY 88
100 PERSONAL SERVICES	-	-	-	-	-	-
200 TRAVEL	-	-	-	-	-	-
300 CONTRACTUAL	-	-	-	-	-	-
400 COMMODITIES	-	-	-	-	-	-
500 EQUIPMENT	-	-	-	-	-	-
600 LAND & STRUCTURES	-	-	-	-	-	-
700 GRANTS, CLAIMS, ETC	-	-	-	-	-	-
TOTAL	-	-	-	-	-	-

FUNDING (Millions of Dollars)

	FY 83	FY 84	FY 85	FY 86	FY 87	FY 88
GENERAL FUND	-	-	-	-	-	-
FEDERAL FUNDS	-	-	-	-	-	-
OTHER (Specify Source)	-	-	-	-	-	-
	-	-	-	-	-	-
	0	0				

POSITIONS

	FY 83	FY 84	FY 85	FY 86	FY 87	FY 88
FULL TIME	-	-	-	-	-	-
PART TIME	-	-	-	-	-	-
TEMPORARY	-	-	-	-	-	-

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

The aforementioned amounts reflect no impact since what is proposed is, I am informed by Management and Budget, already implied in the governor's budget.

IV. DATE: January 24, 1983

PREPARED BY: Vincent Wright

AGENCY: Revenue - Research

PHONE: 465-2174

Original: Legislative Finance

cc: Office of Management and Budget

Prime Sponsor (First Legislator Named)

33-001 (Rev. 01/83)

OMB Reviewed by: Glen Price

RECEIVED

FEB 2 1983

THE LEGISLATURE OF THE STATE OF ALASKA
THIRTEENTH LEGISLATURE

FISCAL NOTE

LEGISLATIVE FINANCE

I. REQUEST

Bill/Resolution No. HB 11

Title An act repealing the permanent-fund-dividend program

Requested by House State Affairs & Finance Date 01-28-83

II. FISCAL DETAIL

Agency Affected Department of Revenue

Program Category Affected General Government

BRU, Program, Or Subprogram(s) Affected Enforcement 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 83	FY 84	FY 85	FY 86	FY 87	FY 88
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL						
400 COMMODITIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC.						
TOTAL	-0-	-0-	-0-			

FUNDING (Thousands of Dollars)

	FY 83	FY 84	FY 85	FY 86	FY 87	FY 88
GENERAL FUND						
FEDERAL FUNDS						
OTHER (Specify Source)						

POSITIONS

	FY 83	FY 84	FY 85	FY 86	FY 87	FY 88
FULL TIME						
PART TIME						
TEMPORARY						

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

Mariella L. Gemmer

IV. DATE 01-28-83

PREPARED BY Mariella L. Gemmer, Director

AGENCY Department of Revenue

Original: Legislative Finance
cc: Budget and Management

PHONE (907) 465-2366

Prime Sponsor (First Legislator Named)

33-001 (Rev. 12/82)

OMB Reviewed by: Glen Price *GP*

FISCAL NOTE

I. REQUEST

Bill/Resolution Number: HB 11
 Title: "An act repealing the permanent fund dividend program; and providing for an effective date."
 Requested by: House State Affairs Committee Date: 1/21/83

II. FISCAL DETAIL

Agency Affected: Department of Revenue
 Program Category Affected: Revenue Collection and Management
 BRU, Program, or Subprogram(s) Affected: Administrative Services Div.
 (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 83	FY 84	FY 85	FY 86	FY 87	FY 88
100 PERSONAL SERVICES	-	-	-	-	-	-
200 TRAVEL	-	-	-	-	-	-
300 CONTRACTUAL	-	-	-	-	-	-
400 COMMODITIES	-	-	-	-	-	-
500 EQUIPMENT	-	-	-	-	-	-
600 LAND & STRUCTURES	-	-	-	-	-	-
700 GRANTS, CLAIMS, ETC	-	-	-	-	-	-
TOTAL	-0-	-0-	-0-			

FUNDING (Thousands of Dollars)

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

POSITIONS

FULL TIME	-	-	-	-	-	-
PART TIME	-	-	-	-	-	-
TEMPORARY	-	-	-	-	-	-
TOTAL	-0-	-0-	-0-			

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

The repeal of the Permanent Fund Dividend program has already been reflected in the Governor's FY84 Executive Budget.

IV. DATE:

1/24/83

PREPARED BY:

Brynn B. Jones

AGENCY:

Revenue

PHONE:

465-2313

Original: Legislative Finance

cc: Office of Management and Budget

Prime Sponsor (First Legislator Named)

33-001 (Rev. 01/83)

OMB Reviewed by: Glen Price 

FISCAL NOTE

Expenditure Type
 Revenue Type

I. REQUEST

Bill/Resolution No. HB 11
Title An Act repealing the permanent fund dividend program
Requested by House State Affairs Date 1-19-83

II. FISCAL DETAIL

Agency Affected Department of Public Safety
Program Category Affected Life and Property Protection
BRU, Program, Or Subprogram(s) Affected Driver/Vehicle Services
(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 83	FY 84	FY 85	FY 86	FY 87	FY 88
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL						
400 COMMODITIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC.						
TOTAL	-0-	-0-	-0-	-0-	-0-	-0-

FUNDING (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER (Specify Source)						

POSITIONS

FULL TIME						
PART TIME						
TEMPORARY						

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

This would have no fiscal impact on Division of Motor Vehicles.

Office of Management and Budget
Reviewed by: Mike Maher, Program Budget Analyst
Division of Budget Review

IV. DATE January 19 1983 PREPARED BY Bill Brown Phone 465-4335

DIVISION Motor Vehicles Initials R.P. Lobb

Original: Legislative Finance DEPARTMENT OF PUBLIC SAFETY Initials mlm

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

FISCAL NOTE

I. REQUEST

Bill/Resolution No. House Bill No. 11

Title "An Act repealing the permanent fund dividend program; and

Requested by House State Affairs Date 1-18-83 providing for an effective date

II. FISCAL DETAIL

Agency Affected Office of the Governor

Program Category Affected Division of Elections

BRU, Program, Or Subprogram(s) Affected Division of Elections

(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 83	FY 84	FY 85	FY 86	FY 87	FY 88
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL						
400 COMMODITIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC.						
TOTAL	-0-	-0-	-0-	-0-	-0-	-0-

FUNDING (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER (Specify Source)						

POSITIONS None

FULL TIME						
PART TIME						
TEMPORARY						

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

No additional fiscal impact is anticipated. The Division of Elections already prepares a microfiche listing of all persons who have registered to vote in this state. This list is generated from a magnetic tape compatible with Department of Administration data processing equipment.

Danith D. Arnoldt

IV. DATE 1-18-83

PREPARED BY Danith D. Arnoldt, Deputy Director
AGENCY Office of the Governor, Div. of Electic

Original: Legislative Finance

PHONE 586-6181

cc: Budget and Management

Prime Sponsor (First Legislator Named)

33-001 (Rev. 12/82)

FISCAL NOTE

I. REQUEST

Bill/Resolution No. HB 11

Title Act Repealing the Permanent Fund Dividend Program

Requested by _____ Date 1/21/83

II. FISCAL DETAIL

Agency Affected Department of Administration

Program Category Affected General Government

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 83	FY 84	FY 85	FY 86	FY 87	FY 88
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL						
400 COMMODITIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC.						
TOTAL	(11.0)	(11.5)	(12.1)			

FUNDING (Thousands of Dollars)

	FY 83	FY 84	FY 85	FY 86	FY 87	FY 88
GENERAL FUND	(11.0)	(11.5)	(12.1)			
FEDERAL FUNDS						
OTHER (Specify Source)						

POSITIONS

	FY 83	FY 84	FY 85	FY 86	FY 87	FY 88
FULL TIME						
PART TIME						
TEMPORARY						

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

IV. DATE 1/24/83

PREPARED BY Tom Haas

AGENCY Administration - Finance

PHONE 465-2240

Original: Legislative Finance

cc: Budget and Management

Prime Sponsor (First Legislator Named) *RB*

MSG 83-00010487 PRTY 1 02/23/83 14:12:45 ORIG: LI00 IN= 0006 OUT= 0027
FROM: DOROTHY IN DILLINGHAM TO: GAIL/JUNEAU
TARGET: LJH4 SUBJ: TESTI. NY FOR PERM. FUND HEARING

BELOW IS TESTIMONY TO THE HOUSE FINANCE COMMITTEE MEMBERS CONCERNING
THE REPEAL OF THE PERMANENT FUND PROGRAM

FROM: WAYNE SCHROEDER, BOX 116, DILLINGHAM, ALASKA 99576 TELEPHONE 842-5984

I OPPOSE THE HB 85 AND HB 11 DUE TO THE FACT THAT IT IS A GREAT PROGRAM.
WHO KNOWS HOW TO SPEND MY MONEY MORE THAN ME. MY DAUGHTERS INTEND TO USE
THEIR MONEY FOR COLLEGE. I CONSIDER THAT ONE HECK OF AN INVESTMENT. HOW
CAN THE REPEAL OF THE PROGRAM MATCH INVESTMENT PLANS BETTER THAN THAT?
THANK YOU.

THE FOLLOWING DOCUMENT(S) MAY NOT FILM
LEGIBLY BECAUSE OF POOR QUALITY OF THE
ORIGINAL.

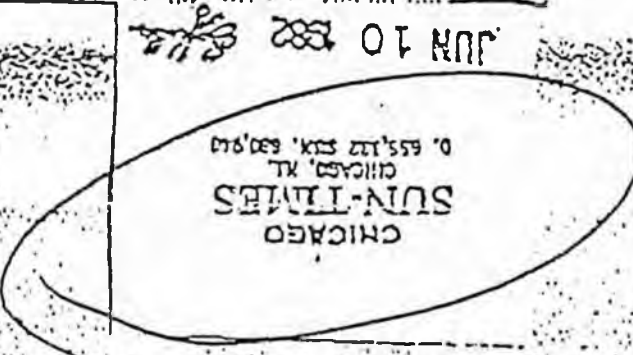
Alaska's share—will be paid to the state in the form of a lump sum of \$100 million. The state will also receive a 10 percent share of the proceeds from the sale of oil and gas reserves. The state will also receive a 10 percent share of the proceeds from the sale of oil and gas reserves. The state will also receive a 10 percent share of the proceeds from the sale of oil and gas reserves.

Alaska's share—will be paid to the state in the form of a lump sum of \$100 million. The state will also receive a 10 percent share of the proceeds from the sale of oil and gas reserves. The state will also receive a 10 percent share of the proceeds from the sale of oil and gas reserves. The state will also receive a 10 percent share of the proceeds from the sale of oil and gas reserves.

Alaska's new giveaway of our money

Worst

DURHAM, R.C.
HERALD
D. 41,626 S. 7, 205



JUN 9 1982 *off*

Alaskan Bonanza

Alaska, whose name means "the great land," has come up with an enviable plan for paying \$1,000 to state oil money to every man, woman and child who has lived there for at least six months. It could start flowing this summer.

Alaskan Gov. Jay Hammond is concerned, however, about stirring antipathy in less fortunate states. Sending state money from the capital to the taxpayers is too wild a dream for most Americans to imagine, and they might let their envy take ugly turns.

Not here. More power to the Alaskans. Not only has the state no income tax, it has the right-headed notion that earnings from public oilfields should go to the taxpayers as if they were stockholders in the firm, as, indeed, they are.

ing land one-fifth the size of the continental United States, has sparse population; 419,600 residents. By and large, they are rugged individualists who understand the enormous potential of their beautiful and beautiful domain. Gov. Hammond and the legislature think they will pay closer attention to how the proceeds of once-controversial top-of-the-world oil fields are invested if they have a greater stake—and that is what the summer bonanza represents.

Some green-eyed critics may argue that what Alaska has belongs to the rest of us, but they should still their greedy souls and count their own state's blessings which they would not want covetous eyes to covet.

It looks like good stewardship in

Clark

Best

To: Bob Clarke
From: Lou Sacer

The New York Times, Sunday, August 29, 1982.

Fraud and Greed Hinder Program To Distribute Alaskan Oil Money

JUNEAU Alaska, Aug. 28 (AP) — Alaska's program to distribute \$1,000 checks to people who have lived in the state for six months is drawing fraudulent applications at a rate that could delay payouts, state officials say.

Mirilla Gemmer, director of the Alaska Department of Revenue's tax enforcement division, said Tuesday that she believed state officials were "seeing the tip of the iceberg" in applications for the checks from people who were not qualified.

So far, the number is small, but the department believes there will be many more as officials continue to process thousands of applications, she said.

Meanwhile, the department is being flooded with telephone calls from Alaskans asking why their checks have not arrived yet, said Phillip Wall, who is directing the distribution program. Along with the apparent fraud, the department is seeing "more greed" among those who do qualify, he added.

Governor Urges Patience

Gov. Jay Hammond issued a statement last week urging the 355,000 people who have applied so far to be patient, and said the department must carefully process applications to insure against fraud.

Two months ago the state began its program to distribute an estimated \$160 million to people who, by Oct. 11, will have lived in Alaska six months.

The program, which grew out of the state's oil wealth, was started after the United States Supreme Court rejected a plan to distribute money in amounts of \$50 for each year recipients have lived in Alaska since it was admitted to the Union in 1959. The Court said the plan discriminated against newcomers.

The substitute distribution plan will continue in future years, although state revenue officials have estimated that next year's check will amount to about \$300 per person.

Fraudulent Claims Cited

Miss Gemmer said the Department of Revenue, still in the middle of processing applications, had turned up apparently fraudulent claims from people who said they had been Alaskan residents since April 18, as required.

"We do have some people who have applied even though they apparently live in the Lower 48 and who in fact have lived in the Lower 48 for years," she said.

"We have visitors who apply and arrange for friends to pick up their checks," Miss Gemmer continued, "and retirees who haven't lived here in years and know full well they don't qualify."

She said the state would do all it could to prosecute cases of fraud. The maximum penalty for conviction is one year in jail and a \$5,000 fine.

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Court Bars a California Board From Revoking Killer's Parole

B. Keller

540 TAX
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R/D

SEP 1 1982

An embarrassment of riches in Alaska

EDITORIAL

Alaska seems to be on the way to becoming America's first welfare state, at least as long as the oil holds out.

The state government has been mailing out a \$1,000 check to every man, woman and child, and it may give away more.

The money comes from oil taxes and royalties, and Alaska is handing it out because it's coming in faster than it can be spent.

So everybody in Alaska is grateful for this unexpected bonus, right?

Not quite. An official in Alaska's Revenue Department says people are calling, not to say thank you but to complain that the checks are late. "We have received enraged and irate calls from just about everybody," she said. "You've never seen so many greedy people in your life."

But not everyone on the last frontier has lost his pioneering spirit.

"I've lived here 30 years and I don't see why I should rely on the state for subsistence," grumbled one man.

An Anchorage newspaper reporter, after talking to many people, said the consensus was that the giveaway is dumb—but the only thing dumber is not to apply for it as long as they're handing the money out.

Alaska's situation, of course, is academic as far as people in Wisconsin are concerned, since our state's problem is the opposite of a surplus.

But just for fun, what would we do if they struck oil here and the money flowed into the state's treasury faster than we could use it?

Would we reduce the oil royalties? There'd be opposition to that. We'd be dealing with a disappearing resource, and once gone it would be gone forever. A sensible argument could be made that if you don't grab the revenue now you'll never see it.

Still, a fat surplus in the public till that isn't earmarked for specific purposes is a problem. Kept too long, it gets spent foolishly. Given away, it's unearned income that can breed a welfare mentality.

But that's Alaska's worry. It certainly isn't Wisconsin's.

B. Keller

SEP 3 1982

Alaskan Politicians Not Typical Spender

EDITORIAL

Politicians are notorious for taking money from taxpayers' pockets to squander on ridiculous projects. But something's amiss in Alaska.

Last month the Alaskan government started sending out \$1,000 checks to every man, woman and child who has lived in the state at least six months.

How can that be possible? Alaska doesn't even have a state income tax.

Several years ago Alaskan politicians wanted to demonstrate their faith in people's ability to decide how their money should be spent. Revolutionary idea — trusting taxpayers with their own money.

In order to share the state's oil taxes and royalties, legislators set up a "permanent fund" created from about 25 percent of the state revenues from the Prudhoe Bay oil fields and mineral resources. The year's checks will come from half of the interest on the fund.

To make Alaskan life even more interesting, Gov. Hammond wants to give away more money.

Putting all of the oil money — about \$4 billion — into the permanent fund. Checks would be reduced whenever state representatives voted for pork barrel projects that drain money from the fund. In that way people would really feel like government spending was money coming from their pockets.

Hammond says it keeps voters interested. "What are you idiots doing with my money?"

The state expects to mail out \$415 million in checks this year.

Is this extra money making Alaskans happy?

"We have received enraged and irate calls from just about everybody," says a Revenue Department worker. "You've never seen so many greedy people in your life."

Maybe those of us in the lower 48 states just don't know how blessed we are to have politicians spending our money for us — sparing us headaches, high blood pressure and displays of greed. How thoughtful?

JUN 18 1982

B.U.A.
7/8

Alaskans given \$1,000 shares of oil wealth

By KARIN DAVES

4/11

Associated Press

JUNEAU, Alaska — The first batch of \$1,000 checks was mailed to about a thousand Alaskans today under an unprecedented plan to share more than \$400 million in state oil wealth with residents.

The checks were dropped in the mail less than 12 hours after Gov. Jay Hammond signed landmark legislation establishing a program to give every man, woman and child who has lived in Alaska at least since April a one-time cash payment of \$1,000.

Smaller payments will be awarded in future years under the bill, which replaces a distribution plan that was invalidated by the U.S. Supreme Court this week.

The high court ruled that the state could not divvy up its oil wealth based on a 1980 formula which would award larger payments to people who have lived in Alaska longer.

Revenue Commissioner Tom Williams said the earlier people applied for their distribution from the earnings of the \$3 billion Alaska Permanent Fund, the state's nest-egg savings account, the sooner they will receive their dividend checks. Applications are being processed in the order they are received.

To qualify for a share of the state's bankroll, residents must have lived in Alaska for at least six months by Oct. 16 — the deadline for submitting 1982 dividend applications.

"The new plan will finally allow all Alaskans to receive an equitable portion of the earnings of their oil wealth," Hammond said. "Although that share will not be allocated as appropriately as it might have been, the size of that share will be directly tied to the prudence in which we add to the permanent fund and invest it."

Hammond has been a major advocate of creating the fund as a hedge against excessive spending by the state.

The governor also said the distribution plan may result in reduced government spending because residents will use part of their dividends to buy services from the private sector.

"The dividend won't make Alaska the Promised Land no matter how hard the economic times may appear to be to residents elsewhere," Hammond said.

LOS ANGELES CAL
D. 1,030,915 S. 1,254,115

JUN 17 1982

B.U.A.
7/8

Energy and Environment

Alaska Gov. Jay S. Hammond signed a bill to create a 49,000-acre eagle sanctuary in the Chilkat River Valley to commemorate the 200th anniversary of selection of the bald eagle as the national symbol. Hammond noted that the bald eagle is an endangered or threatened species in every state except Alaska. Most of the eagles are concentrated in southeastern Alaska, which has dense forests and abundant salmon runs.

Marine scientists say they have found in the Bay of Fundy, between Canada and the northeast United States, a summer nursery and feeding ground of a now rare and little studied species of whale. As many as 60 right whales, apparently named "right" because early hunters considered the 60-ton mammals the easiest of its kind to kill, have been sighted in two areas of the bay, according to Scott Kraus of

the New England Aquarium. Scientists believe the Atlantic branch of the right whale family includes only about 200 animals. Other right whale species are found in the Pacific and South Atlantic.

The International Atomic Energy Agency has approved a safeguards agreement with Argentina covering the nation's supplies of partially enriched uranium from the Soviet Union, an agency spokesman said in Vienna. The agreement, approved June 9, was sought by Argentina and spells out details of how and when inspections in Argentina may be carried out. The agency said the arrangement will cover an initial shipment of 220 pounds of 20% enriched uranium. Such low-grade uranium may be used in power plants or in research but would be of little use for nuclear weapons, experts said.

Justice William Rehnquist was hospitalized at George Washington University Hospital for "minor surgery," a Supreme Court spokesman said. No details were given on the condition of Rehnquist, who in January was hospitalized for a back ailment and the side effects of a pain killer.

Justices struck down Alaska's plan for sharing oil revenue based on years of rest. The Supreme Court said the proposal to distribute about \$30 million annually was unconstitutional. Last week, Alaska lawmakers passed an alternative plan giving each resident an initial \$1,000.

JUN 15 1982
SAN FRANCISCO, CALIF.
D. 355,910
WALL STREET JOURNAL



Printed and Published
by the
Government
Printer,
Wellington,
New Zealand,
1901.



THE
WOMEN
OF
THE
WORLD



Janice and Mike Rand admire her mink. They plan to buy get breakfast in bed, a hot tub, a hot tub and a car over his \$1,000."

Lisa Pollett and Greg Aucutt bought their rings from jeweler Joshua Jennett. "Sharing the wealth is nice," she says.



obsessed with a dream of instant wealth to be found in the permafrosted bowels of the earth. Few of them earned enough to pay back the cost of their passage; many died in the frigid wastes of the cruel North.

Alas, they came too soon. This year Alaska has finally yielded up its fabled wealth. In a windfall of storybook proportions, \$440 million is being distributed in the 49th state; \$1,000 to every man, woman and child. "I've always wanted a mink coat," bubbles Janice Rand, 49, an Anchorage phone company employee who pooled her check with that of her husband (and co-worker) Mike to acquire a toffee-colored mink with white trim. "I love Mike without the coat," she says, "but I sure do love him more with it."

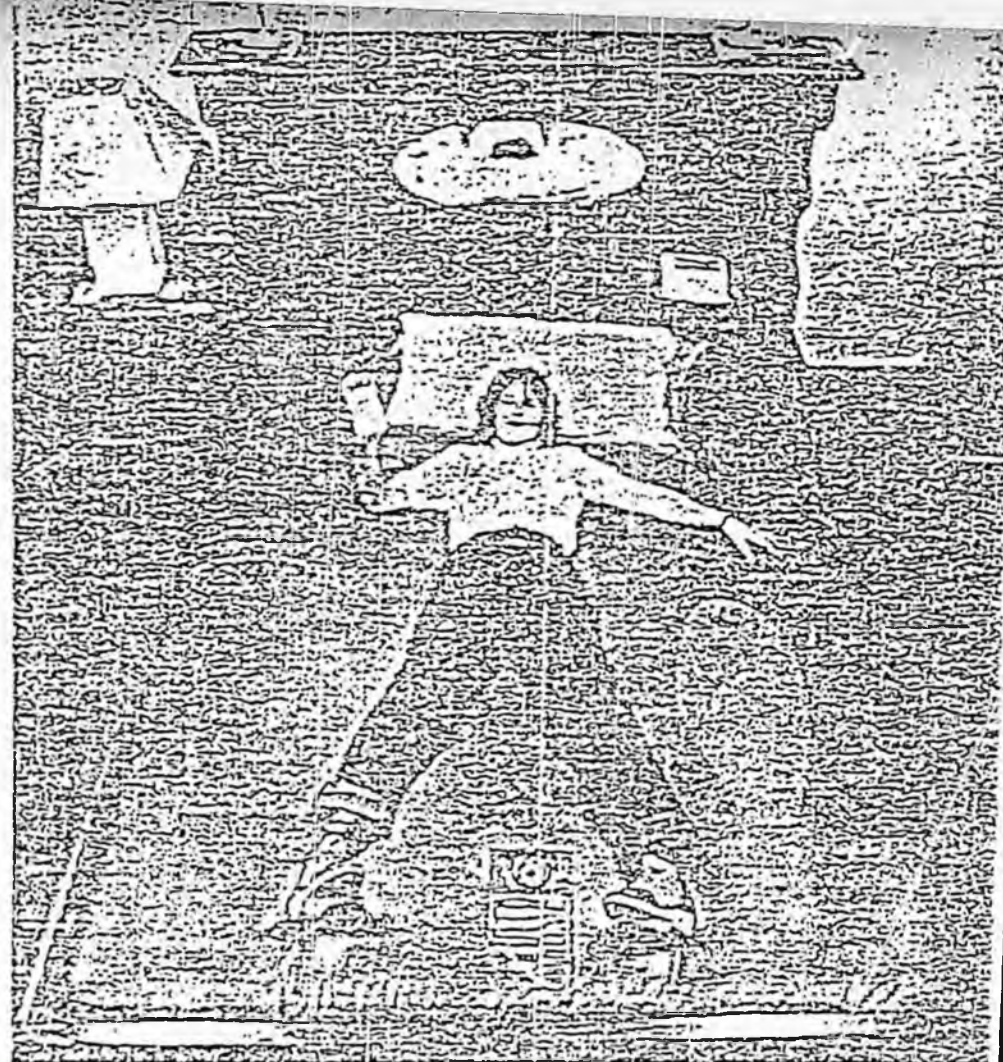
The state government's unusual largess is a reaction to a true embarrassment of riches. Since the huge oil strike at Alaska's Prudhoe Bay in 1968, the state has reaped over \$11 billion in taxes and royalties. Republican Gov. Jay Hammond, who under Alaska law cannot run for a third consecutive term, used the money to abolish the state income tax in 1980. He also set up a state "savings account" for future needs. That fund has now reached \$3.4 billion. Under Hammond's original plan, the state would have paid out part of the interest at a rate of \$50 per person for every year of residence in the state. This year the U.S. Supreme Court disallowed that, so the present system, passed by the legislature as a backup, went into effect. In 1983 all residents are expected to receive \$358 per person and in 1984, \$247.

For Lisa Pollett, 22, and her fiancé, 23-year-old Greg Aucutt, the bonanza led to marriage. College sweethearts at Washington State, they came to Alaska six months ago, just in time to meet the minimum residency requirement for the \$1,000 checks. "We've been thinking about getting married for quite some time," says Lisa. "But we were waiting until we were more financially secure." The couple used half of their money to purchase wedding rings—an \$800 diamond for Lisa and a \$100 gold band for Greg—at an Anchorage jewelry store whose newspaper ad read: "Splurge! It's not every day you get \$1,000 from the State!"

CONTINUE

...for the Alaskans, the money will
 ...survive. ... or more money. Was
 ...state, ... of Athabascan Indian
 ... of the tiny fishing village
 ... (about 170), 200 miles
 ... west of Anchorage. Says Balluta:
 ... money will go for fuel next winter
 ... going to put it in a fund for my
 ... son's college education, but since
 ... it's not so good this year, it must
 ... go to support my family. Everybody
 ... and were broke."

...obably the program has its de-
 ... "Rep. ... an gubernatorial
 ... late Tim Fink complains that
 ... needs will bring out the best
 ... in people and attract the un-
 ... to Alaska." Even more ad-
 ... 29-year-old Joe Vojtek of Fair-
 ... a lawyer who's lived in Alaska
 ... 1942, working as a trucker, log-
 ... and miner. A longtime advocate of
 ... Alaska from the rest of the
 ... he's even lobbied dele-
 ... of the United Nations to promote
 ... for the Alaskans." He argues
 ... the giveaway has "made Alaska a
 ... 100 million, ... of 200 million
 We should be building
 ... docks, airports, hydroelectric
 ... hospitals and schools with the
 What the hell is \$1,000 going to
 ... for most people? It's insanity."
 ... Virginia. "I won't even cash my
" MARIA WILHELM



Tracy Flead, 12, tries out a new water boat. "It's kinda weird to get this," she says, "but neat to have money."

Wassie Balluta will save the money for winter. Says his wife, Fedocia, wistfully, "but neat to have money."



The Alaska Payout Ruling

ALASKA WAS INNOVATIVE when it proposed distributing state royalties from the sale of North Slope oil to its residents. But the U.S. Supreme Court was correct in deciding that it was unconstitutional to base residents' shares on the length of their stay in the state.

In the ruling, Chief Justice Warren Burger stated that the precedent created by the state's proposed payout suggested that it would also be possible to levy taxes based on length of residence as well as set conditions for eligibility for government contracts, civil service jobs and student loans on the same basis.

Striking down length of residency as a basis for benefits from a state was consistent with the federal constitution as well as with legal precedent. The fact that Alaska already had backup legislation enacted designed to distribute its oil revenues on a more equitable basis is testimony that even the state recognized the fatal flaw in its 1980 payout formula. Still, the court's ruling is a firm reminder that "equal protection under the law" should never conform to a timetable.

LOS ANGELES, CALIF.
DAILY JOURNAL

JUN 24 1982

Rulings

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Alaska Dividend Program Violated Equal Protection

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The State of Alaska amended its constitution to require establishment of a Permanent Fund into which the state was required to deposit at least 25 percent of its mineral income each year. The state legislature subsequently enacted a dividend program to distribute annually a portion of the fund's earnings to the state's adult residents. Each adult resident would receive one dividend unit for each year of residency after 1959, the first year of Alaska statehood. The distribution plan was challenged by residents who had lived in the state only since 1978.

The U.S. Supreme Court ruled that the plan violated the constitutional guarantee of equal protection. The court said the state had shown no valid state interest rationally served by creating "fixed, permanent distinctions among an ever increasing number of perpetual classes of concededly bona fide residents." Neither creating an incentive to maintain Alaska residence nor assuring prudent management of the fund and the state's natural resources were rationally related to the plan's distinctions among residents, said the court, and rewarding citizens for past contributions was "not a legitimate state purpose." Alaska's reasoning would "permit the states to divide citizens into expanding numbers of permanent classes," a result that was "clearly im-

JUN 6 1982

WASHINGTON, D. D.
D. 584,500 SUIT. 820,000

Backlash Seen on Alaska Oil Plan

JUNEAU, Alaska, June 5 (AP)—A new plan to pay \$1,000 in state oil money to every man, woman and child who has lived in Alaska at least six months could spur "very adverse publicity" in less fortunate states, according to Gov. Jay Hammond.

"That's the negative downside" of trying to share Alaska's oil wealth with residents, Hammond said Friday after the legislature passed a plan that could put the payments into pockets of Alaskans this summer.

The share-the-wealth plan was approved Thursday at the urging of Hammond, who argued that if Alaska's 419,600 residents have a personal stake in the state's wealth, they will pay closer attention to how it is invested.

But Hammond said there will be an "enormous obligation" for state officials to explain the program to other Americans, because people in de-

pressed areas of the country may feel Alaskans are flaunting their state's wealth.

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The \$1,000 payments will be made if the U.S. Supreme Court strikes down an existing distribution program, or if the court has not ruled by July 15. If the high court has not ruled, the program will begin July 15 with a four-month period in which Alaskans may apply for the payments.

They may apply any time during that period, but in order to be eligible for the money, they must have been residents for at least six months when they apply.

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ALLENTOWN, PA.
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JUN 11 1982

A will — and a way

Alaska has its problems, but money isn't one of them. Or ingenuity, for that matter.

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Two years ago the legislature approved a program that would pay the state's 416,000 residents \$50 annually for each year they've lived in Alaska since statehood in 1959. That was challenged as discriminatory by two Anchorage attorneys, and the U.S. Supreme Court is expected to decide the case this summer.

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JUN 6 1982 *EPL*

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The U.S. Supreme Court ruled that the plan violated the constitutional guarantee of equal protection. The court said the state had shown no valid state interest rationally served by creating "fixed, permanent distinctions between an ever increasing number of perpetual classes of concededly bona fide residents." Neither creating an incentive to maintain Alaska residence nor assuring prudent management of the fund and the state's natural resources were rationally related to the plan's distinctions among residents, said the court, and rewarding citizens for past contributions was "not a legitimate state purpose." Alaska's reasoning would "permit the states to divide citizens into expanding numbers of permanent classes," a result that was "clearly im-

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JUN 11 1982

A will — and a way

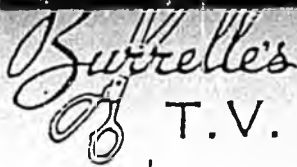
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T.V. CLIPS

DATE
TIME
NETWORK
PROGRAM

June 16, 1982
7:00-7:30 PM
CBS
CBS Evening News

ACCOUNT NUMBER 4411

Dan Rather reporting:

It has been eighty-five years since gold was discovered in Alaska, setting off a stampede in which men clawed and scrambled for riches. As Terry Drinkwater explains, it's considerably easier for residents to share the state's latest bonanza, the first in what will be an annual bonus.

Terry Drinkwater:

All Alaskans had to do was sign up. Every man, woman, and child who has lived here for at least six months is entitled to a thousand dollars. It's oil money. The state had collected four hundred and fifteen million dollars in taxes from the oil companies and the wealth is now being shared.

Governor Jay Hammond: I think it will perhaps revolutionize the concept of government spending and reverse the trend that has occurred in the United States, and certainly here in the state of Alaska, which is—people look to the government to do everything.

Drinkwater: Two years ago as the oil riches were piling up in the state treasury, Alaska tried to start giving away the money, fifty dollars for every year anyone had lived up here. But the courts held up that plan and finally, just this week, the Supreme Court ruled it was unconstitutional and that the money had to be distributed equally. Penny Zobel and her husband Ron filed the case. They were newcomers and are still none too popular with sourdoughs.

Ron Zobel: I am happy that finally all citizens will benefit equally. I think that the notion that a person's rights are dependent upon how long he or she has lived in this state is constitutional nonsense.

Drinkwater: Today in Juneau, the capital, officials were verifying names and about to start up the computer to write the checks. Most residents are understandably delighted the money is on its way, but some Alaskans have reservations.

Resident 1: Mine is going to go to my school tuition for next year, but I also think it's bad for the states image.

Resident 2: I think most of the people outside think of us as the blue-eyed Arabs and that's not the case.

Resident 3: I suppose I'll spend it. I'm not really in favor of the program. I'd rather have a new road to my house.

Drinkwater: By coincidence, gold was discovered up here on this very date back in 1897 and, of course, the gold rush followed. Alaskans today are hoping there won't be another rush of outsiders now coming North seeking a share of the oil riches.

Windfall Drop in Deficit Bucket

Alaska is having trouble giving money away.

Two years ago, the Legislature passed a law offering every resident for each year of Alaskan residence. Anchorage lawyers challenged the formula, contending that it discriminates against newcomers. The case is pending.

Just in case the law is thrown out, Alaska has adopted a backstop program. This legislation calls for a \$1,000 payment to every person, regardless of length of residence, with smaller annual payments thereafter.

Alaska has established the Alaska Permanent Fund, financed by money from oil wells on state lands. Half of its annual earnings are to go to state residents. The fund currently contains \$3 billion. Each of the state's 416,000 residents would be eligible for the \$1,000

payment. That would cost \$416 million. Sounds like a lot of money and quite a bonanza for Alaskans.

We were going to make some little joke about Alaskans being able to get oiled or something, but another news item caught our eye.

The item said that the House Ways and Means Committee had approved legislation raising the federal government's debt ceiling to \$1.127 trillion.

The fiscal 1982 budget puts the interest on the national debt this year at more than \$106 billion.

This means that the Alaskan windfall wouldn't even make the national debt interest payments for two full years.

After that, we didn't feel like joking anymore.

Alaska Forms Back Up Wealth Distribution Plan

JUNEAU — Alaska Governor Jay Hammond vowed to approve a back up plan to distribute Alaska's oil wealth to residents after the U.S. Supreme Court struck down the original law which based dividends on length of residence.

The Supreme Court, in an 8-1 vote, yesterday reversed a decision by the Alaska State Supreme Court, saying the plan unfairly discriminated against newcomers by proposing to award the largest dividends to long time residents.

Anchorage attorneys Ron and Patricia Zobel had challenged the plan in 1980, claiming it violated the equal protection clause of the U.S. Constitution.

Alaskans apparently will continue to receive dividends from the permanent fund, a trust account created by voters in 1976 to put away some of the state's oil income.

Hammond, calling the high court ruling "far and away the greatest disappointment to me in my almost 20 years in political office," said he would approve a "back-up" plan passed by the legislature earlier this month.

That program would give Alaskans \$1,000 each this year, regardless of length of residence. Eligible for the payment would be anyone with at least six months Alaska residence by the time the application period expires in mid-October.

Distribution of nearly \$300 million in dividend checks to Alaska's 400,000 residents has been held up pending a decision on the original proposal, approved by the state legislature in 1980. (Reuters)

The Dallas Morning News
DALLAS, TEXAS
P. 286,955 S. 253,677

Alaskans pipe up to get share of oil-profit funds

PAGE ONE

Special to The News

FAIRBANKS, Alaska — Thousands of Alaskans will be keeping a sharp eye on their mailboxes next week. The check — \$1,000 for every man, woman and child — is in the mail.

The first dividends went out Friday in a unique distribution of state funds. More than 400,000 adults and children who have lived in the state for at least six months are eligible to apply for a \$1,000 payment from the earnings of the Alaska Permanent Fund, \$3.1 billion from state oil royalties.

...the earnings of the Perma-

year under the law Gov. Jay Hammond signed Thursday night.

Hammond said he wanted Alaskans to realize that "this is their money that the politicians are paying out for programs the state has no business being involved with."

Not everyone supports the dividend plan.

Steve Cowper, a Fairbanks lawyer seeking the Democratic nomination for governor, said, "There are a lot of other things to do with the money."

But Cowper won't be turning down his \$1,000 check. "I'm not going to be a martyr to my view

get windfall

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Smaller payments will be awarded in future years under the bill, which replaces a distribution plan that was invalidated by the U.S. Supreme Court this week.

The court ruled that the state could not divvy up its oil wealth based on a 1980 formula which would award larger payments to people who have lived in Alaska longer.

14 1982

B. K. L...

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4411 EDITORIAL
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JUN 5 1982

Alaskans to share oil wealth

Each resident may get \$1,000

Associated Press

JUNEAU, Alaska — Every man, woman and child who has lived in Alaska for six months could pocket \$1,000 in cash this summer under a new plan aimed at sharing the state's oil wealth with its citizens.

Under the plan, approved Thursday by the state legislature, \$415 million in payments could be mailed out beginning in mid August.

The state's has a population of 419,600, but officials say some residents will be ineligible and some probably won't fill out applications.

A program enacted two years ago called for annual payments to residents of \$50 for each year they had lived in Alaska since statehood in 1959. But an Anchorage couple sued, arguing that the program discriminated against newcomers. The state Supreme Court rejected their arguments, and an appeal is pending before the U.S. Supreme Court.

Faced with the delay caused by the suit, the legislature approved Gov. Jay Hammond's new program, which will take effect if the Supreme Court strikes down the first plan or if it fails to rule by July 15.

Hammond's plan calls for the \$1,000 payments this year and future annual payments to all Alaskans regardless of length of residency. The size of the payments would depend on income earned by the Alaska Permanent Fund, a savings account established by voters in 1976 that collects about 10 percent of the revenue from oil production on state lands. It has about \$3 billion in it.

State officials estimated payments at \$356 in 1983 and \$247 in 1984.

One opponent, Sen. Tim Kelly, said, "Ever American in the Lower 48 [states] who is in a depressed zone or a high unemployment zone is going to resent Alaska's wealth and put tremendous pressure on their congressmen to take that wealth from the state of Alaska."

The Miami Herald
MIAMI, FLA.
D. 398,415 SUN. 509,100

JUN 15 1982

Struck down Alaska's controversial plan for distributing its multimillion dollar oil and mineral revenues to citizens based on their length of residency in the state. The 8-1 vote forces the state to change its program for allocating \$130 million in back revenue that has been held up pending resolution of the dispute.

• Refused to disturb a major ruling that prohibits electric utility companies from earning a profit from their customers for spending money on power plants that were never built.

• Volunteered to help settle a complicated, 6-year-old fight over which state — if any — can collect death taxes on billionaire recluse Howard Hughes' estate. Concluding no other court has authority to settle the dispute, the justices voted 5-4 to help seek an answer to the multimillion-question of whether Hughes was an official resident of Texas, California or Nevada when he died in April 1976.

• Refused to remove itself from a case challenging the use of controversial choke holds by Los Angeles police.

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vices can be held liable
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Among the solutions
court suggested are