

ALASKA LEGISLATURE COMMITTEE FILES 1983-1984

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### The Dedicated Fund Options C & D

A significant difficulty in the development of any long-term financing scheme such as would be required for any long term development of Alaskan resources is the uncertainty of the year-by-year political appropriation process. This applies generally throughout North America, but is of particular relevance in the context of Alaska given the constitutional considerations and the relative importance of appropriations for capital spending in the State.

It is of understandable concern to investors in State of Alaska securities related to long-term developments, that through the political process these projects could be subject to deferral, limitations of State contribution, or even cancellation in the course of their development phase. This may be considered a serious handicap to the long-term development of Alaska's natural resources.

In the light of this, we have been asked to consider the dedication of 50% of the Permanent Fund income to a Power Development Fund which would be designed to provide a relatively more secure and certain source of appropriations for the major long-term development potential for Alaska represented by hydroelectric power and which could offer most Alaskans permanent low-cost power as a basic domestic and industrial resource. This proposal is regarded as representing an important contribution to securing long-term appropriations for such major developments in a manner which would be regarded by investors as offering much greater assurance of on-going systematic development and hence greater security for borrowing in the course of construction.

The scheme, as provisionally formulated, involves the principle of \$4,500 to \$6,000 per capita being the normal contribution from the fund for a

hydro development serving a particular area. In the context of Susitna this would involve a total State appropriation from the fund of approximately \$1.4 to \$1.8 billion. Its results are shown as Options C and D in Tables 3 and 4 and in Exhibit E. Its impact on cost of power and the level of Revenue Bond financing required is seen to be very close to that of Options A and B.

A further important characteristic of this particular proposal, however, is that such funding would provide the Power Authority with a substantial financial base that would make it capable of raising finance or providing guarantees where these were important to secure financing under changing market conditions or secure funding for developments lacking an adequate independent credit base.

It is recognized that this proposal would involve a constitutional amendment, but it is precisely the constitutional nature of such a dedicated fund that would be most effective in terms of development of Alaska's resources.

5 -STATEMENT BY THE FIRST BOSTON CORPORATION,  
JOHN NUVEEN & COMPANY, AND FIRST SOUTHWEST COMPANY

The First Boston Corporation and John Nuveen & Company (the Alaska Power Authority's co-senior managing underwriters) and First Southwest Company (the Power Authority's financial advisor) have reviewed the financing options described in this memorandum and have made the following observations regarding the financing of the Susitna Project. Together these investment firms are referred to as the Power Authority's Investment Advisors. Their opinions stated herein are based primarily upon the State's projected revenues using the "30th Percentile". First Boston Corporation, John Nuveen & Company and First Southwest Company have concurred in the following statement:

"It is our opinion that prior to major State expenditures, of State appropriations definitive contractual commitments by participating Railbelt Utilities be in place and that such appropriations should be funded by the State during the period 1983-1989, a period within the estimated life of Alaska's oil and gas reserves, so that appropriations provided during this period will provide the crucial "equity" to assure the most economical bond financing of the remainder of the project.

In view of the magnitude of Susitna and the relatively long construction period, the Power Authority should not commence significant borrowing for Susitna before the late 1980's at which time major risks have been defined and completion and start-up dates are known with a high degree of reliability.

In our opinion, in order to maintain the financial integrity for the State of Alaska, prerequisites for issuance of bonds of any type for the project are:

- (a) Definitive contractual commitments by participating Railbelt utilities;
- (b) Up-dated economic and financial analysis of the project; and

- (c) Resolution of the question of tax exemption of such bonds.

With regard to the utilization of State G.O. Bonds, it is our opinion that the issuance of such bonds will be of limited importance to financing Susitna because of the substantial borrowing required for this project. If a major portion of such borrowing were met from State G.O. Bonds, Alaska's present double A ratings would be endangered. The following are some major limitations of State G.O. Bonds:

- (1) A crucial feature of Alaska's double A rating is the Rating Agencies' concurrence with the State's present debt policy of amortizing G.O. Bonds rapidly (i.e., within 10 to 15 years (a period within current estimates of oil/gas revenues (the principal source of State revenues) and we believe this policy should be continued.
- (2) Using the State's December, 1982 Department of Revenue forecasts, we estimate that the State can issue a relatively small volume of G.O. Bonds while maintaining its double A rating (see Tables 1 and 2). Based on the "30th percentile" of the Department of Revenue projections, the State could "safely" issue \$565 million (nominal dollars, assuming 8% inflation) G.O. Bonds during the period fiscal 1983-1990. This amount would rise to \$945 million if the "50th percentile" revenue projections were achieved during this period.

A reduction in the State's rating from double A to single A could correspondingly lower the rating of Alaska Power Authority's own revenue bonds backed by a Capital Reserve Fund with a moral obligation to a rating as low as Baa by Moody's and BBB by Standard & Poors. Such a rating would substantially raise the

Authority's borrowing cost and could impair the viability of the project. The volume of debt contemplated under all scenarios would be extremely difficult to market if rated less than "A".

The Power Authority, rather than utilizing State G.O. Bonds, should utilize, to the fullest extent possible, revenue bonds secured by the income derived from participating Railbelt Utilities pursuant to long-term power sales contracts. Additional security for the bonds would be provided by the Capital Reserve Fund provided in the Alaska Power Authority Act whereby to the extent that revenues from Susitna were insufficient to service the bonds, the Legislature may, but is not legally obligated to, appropriate monies to make up such deficiency in the Capital Reserve Fund. Alaska Power Authority's credit perception will be enhanced by a simple and straightforward debt structure comprised solely of revenue bonds backed by the State's "moral obligation" pledge.

Any dedicated stream of State appropriations covering the entire construction and start-up period will enhance confidence of investors, participating utilities, and the rating agencies in the completion of the project. Such an appropriation would, however, require a constitutional amendment. In conclusion, as Investment Advisors to the Authority, we strongly prefer the financing plan developed as Option B and D which requires greater appropriations prior to issuance of Revenue Bonds because the credit status of the State is least affected and the credit quality of the Authority's bonds is enhanced, maintaining project feasibility. Should oil revenue and projections, however, dramatically improve we would be in a position to more favorably consider alternate financial options."

## 6 - CONCLUSIONS

Our conclusions relate primarily to Options A and B since the dedicated fund proposals C and D can be seen in the present context as primarily a legislative route to these options.

It may be appropriate in conclusion first to state our own assessment of the decision issues involved at this stage. First, the decision issue is not an irrevocable commitment to proceed with Watana. As already noted, the FERC license will not be available for another two years and no major expenditures could be undertaken until 1985.

It would therefore appear that the essential issue is that of maintaining and planning for the Watana option. The only grounds for not maintaining this option with its very substantial long-term economic advantages, would be that we had concluded that no viable and politically acceptable financing scenario was possible.

Given the very wide range of uncertainties for future State revenues, and hence the levels of State appropriations which might be available at the first point of major commitment in late 1985, such an adverse conclusion certainly cannot be substantiated at this time on the basis of the preceding analysis. If, for example, State revenues were as high or higher than the 50th percentile, the State capital fund available for Watana would be substantially increased and the \$1.4 billion appropriation (Option A) would represent 38% of the uncommitted capital funds over the period 1984-1989. Moreover, the circumstances which would bring about such an increase in State funds--mainly a recovery in world oil prices--would confirm the economic desirability of advancing with Watana and obviating dependence on fuels with prices related to that of oil.

We must also note again that the levels of spending in individual years used in the analysis was constructed on normal engineering criteria without reference to phasing the engineering expenditures to conform (without significant additional cost) to year-to-year budget constraints.

Subject to political decisions and priorities, therefore, our assessment is that all the financing options proposed in this memorandum are viable. In consequence, we recommend that over the two-year decision period, to 1984, the remaining preconditions of financing viability, both political and contractual (in terms of power contracts and tax exempt bond-financing) are resolved. A reconsideration of the financing options might then be undertaken in 1984 when, as already noted, some of the major economic uncertainties affecting the economics of generation options and the revenues of the State of Alaska are also likely to be resolved. It should also be possible within this time frame to review the time profile of potential cash demands for construction and bring them more closely into conformity with available appropriations.

If this conclusion were adopted, it might also be considered appropriate, in order to avoid undue "bunching" of demands for Susitna financing, to establish a level of funding for the project of the order of perhaps \$100 million in FY 1984. This, in our view, would be seen as a positive step which should appreciably assist in the negotiations of power contracts since it would indicate the State's conditional intent to proceed with the project. This would give such negotiations the credibility essential to a successful outcome.

ALASKA POWER AUTHORITY  
CAPITAL FUNDS AVAILABLE FOR SUSITNA  
30th PERCENTILE PROJECTION

Fiscal Year	General Fund Unrestricted Revenues (1)	Total Capital Spending Limits	Estimated Maximum G.O. Bond Issues (2)	Total Available Capital	Committed Capital Grants and Loans (8%)	Remaining Capital	APA Capital Budget Excluding Susitna	Uncommitted Capital Funds	Planned Susitna Expenditures (nom. \$) (3)
1984	2908.2	969	0	969	475	494	174.2	320	0
1985	2939.9	980	0	980	513	467	244.5	222	183
1986	3472.9	1158	300	1458	554	904	282.3	622	405
1987	3870.4	1290	90	1380	598	782	125.8	656	437
1988	3917.0	1306	125	1431	646	785	0	785	442
1989	4293.8	1431	0	1431	698	733	0	733	639
1990	3679.9	1227	50	1277	754	523	0	523	1121
1991	3295.9	1099	140	1239	814	425	0	425	1270
1992	3186.4	1062	0	1062	879	183	0	183	862
1993	2919.4	973	110	1083	950	133	0	133	584
1994	2779.0	926	0	926	1025	0	0	0	0

4697  
5947

(1) 30th percentile projection of Department of Revenue net of Debt Service on the State G.O. Debt.

(2) Maximum General Obligation Debt that can be issued (10 year, equal annual principal amortization at 7.5%) and keep total G.O. Bond Debt Service below 5% of General Fund Unrestricted Revenues.

Source: Acres American Incorporated (Converted to June 30 Fiscal Year).

TABLE 1



ALASKA POWER AUTHORITY  
CAPITAL FUNDS AVAILABLE FOR SUSITNA  
50th PERCENTILE PROJECTION

Fiscal Year	General Fund Unrestricted Revenues (1)	Total Capital Spending Limits	Estimated Maximum G.O. Bond Issues (2)	Total Available Capital	Committed Capital Grants and Loans (8%)	Remaining Capital	APA Capital Budget Excluding Susitna	Uncommitted Capital Funds	Planned Susitna Expenditures (nom. \$) (3)
1984	3369	1123	0	1123	475	648	174.2	474	0
1985	3492	1164	350	1514	513	1001	244.5	757	183
1986	4116	1372	190	1562	554	1008	282.3	726	405
1987	4553	1518	95	1613	598	1015	125.8	889	437
1988	4645	1548	235	1783	646	1137	0	1137	442
1989	5103	1701	50	1751	698	1053	0	1053	639
1990	4848	1616	25	1641	754	887	0	887	1121
1991	4345	1448	160	1608	814	794	0	794	1270
1992	4221	1407	35	1442	879	563	0	563	862
1993	4017	1339	170	1509	950	559	0	559	584
1994	3957	1319	0	1319	1025	294	0	294	0

(1) 50th percentile projection of Department of Revenue net of Debt Service on the State G.O. Debt.

(2) Maximum General Obligation Debt that can be issued (10 year, equal annual principal amortization at 7.5%) and keep total G.O. Bond Debt Service below 5% of General Fund Unrestricted Revenues.

(3) Source: Acres American Incorporated (Converted to June 30 Fiscal Year).

TABLE 2



SUSITNA-SUMMARY OF FINANCING REQUIREMENTS

-----REAL 1992 DOLLARS-----

	STATE APPROPRIATION TAKEN AS NEEDED				DEDICATED STATE APPROPRIATION			
	-----\$1.4 BN----- (REAL)		-----\$1.8 BN----- (REAL)		-----\$1.4 BN----- (REAL)		-----\$1.8 BN----- (REAL)	
	DEBT	STATE APPROP.	DEBT	STATE APPROP.	DEBT	STATE APPROP.	DEBT	STATE APPROP.
	\$M	\$M	\$M	\$M	\$M	\$M	\$M	\$M
1983	-	-	-	-	-	160	-	160
1984	-	81	-	81	-	222	-	222
1985	-	225	-	225	-	276	-	276
1986	-	336	-	336	-	318	-	318
1987	-	317	-	317	-	345	-	345
1988	-	306	-	306	-	79	-	378
1989	409	94	9	535	337	-	-	101
1990	884	-	847	-	878	-	770	-
1991	757	-	718	-	750	-	710	-
1992	505	-	466	-	498	-	457	-
1993	146	-	146	-	146	-	146	-
TOTAL	2701	1400	2186	1800	2609	1400	2003	1800

COST OF ENERGY TO MEET 1.0 DEBT SERVICE COVER AND PERCENT IN EXCESS OF BEST THERMAL OPTION

	HILLS		HILLS		HILLS		HILLS	
	-----	-----	-----	-----	-----	-----	-----	-----
1993	74	46 %	61	17 %	72	41 %	58	14 %
1994	77	25 %	64	5 %	75	22 %	62	-
1995	73	21 %	61	1 %	70	17 %	58	-
1996	72	-	57	-	69	-	55	-
1998	68	-	54	-	65	-	51	-
1999	63	-	51	-	61	-	48	-
2000	60	-	48	-	57	-	46	-

TABLE 3 -- SUSITNA: SUMMARY OF FINANCING REQUIREMENTS IN REAL TERMS



SUSITNA-SUMMARY OF FINANCING REQUIREMENTS

-----NOMINAL DOLLARS-----

	STATE APPROPRIATION TAKEN AS NEEDED				DEDICATED STATE APPROPRIATION			
	-----\$1.4 BN-----		-----\$1.8 BN-----		-----\$1.4 BN-----		-----\$1.8 BN-----	
	(REAL)		(REAL)		(REAL)		(REAL)	
	DEBT	STATE APPROP.	DEBT	STATE APPROP.	DEBT	STATE APPROP.	DEBT	STATE APPROP.
	\$M	\$M	\$M	\$M	\$M	\$M	\$M	\$M
1983	-	-	-	-	-	175	-	175
1984	-	100	-	100	-	257	-	257
1985	-	276	-	276	-	338	-	338
1986	-	436	-	436	-	413	-	413
1987	-	437	-	437	-	475	-	475
1988	-	447	-	447	-	115	-	552
1989	633	208	13	820	522	-	-	157
1990	1465	-	1403	-	1454	-	1275	-
1991	1341	-	1274	-	1329	-	1259	-
1992	958	-	883	-	945	-	868	-
1993	296	-	296	-	296	-	296	-
TOTAL	4693	1904	3069	2524	4546	1773	3690	2367

PERCENTAGE OF UNCOMMITTED STATE CAPITAL FUNDS

30 to 57 %

50 to 75 %

COST OF ENERGY TO MEET 1.1 DEBT SERVICE COVER AND PERCENT IN EXCESS OF BEST THERMAL OPTION

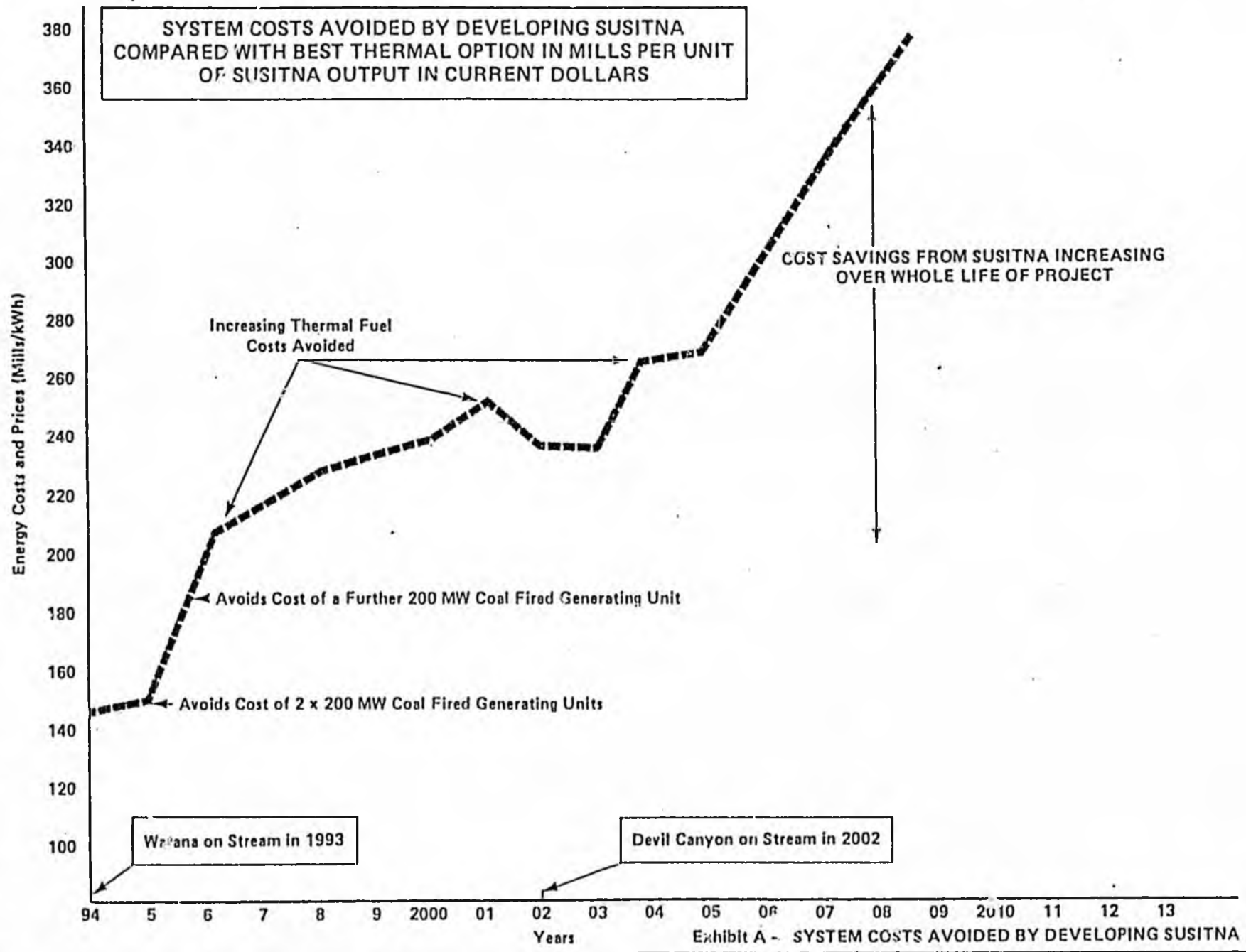
	HILLS		HILLS		HILLS		HILLS	
	-----	-----	-----	-----	-----	-----	-----	-----
1993	150	16 %	123	17 %	145	41 %	110	14 %
1994	168	25 %	140	5 %	163	22 %	134	-
1995	169	21 %	141	1 %	164	17 %	135	-
1996	179	-	143	-	172	-	137	-
1998	180	-	144	-	173	-	137	-
1999	181	-	145	-	175	-	139	-
2000	182	-	147	-	176	-	140	-

NOTE: PERCENTAGE OF UNCOMMITTED FUNDS CALCULATED FROM 30 AND 50 PERCENTILE PROJECTIONS

TABLE 4 -- SUSITNA: SUMMARY OF FINANCING REQUIREMENTS IN NOMINAL TERMS



**SYSTEM COSTS AVOIDED BY DEVELOPING SUSITNA  
 COMPARED WITH BEST THERMAL OPTION IN MILLS PER UNIT  
 OF SUSITNA OUTPUT IN CURRENT DOLLARS**



Wapana on Stream in 1993

Devil Canyon on Stream in 2002



Exhibit A - SYSTEM COSTS AVOIDED BY DEVELOPING SUSITNA

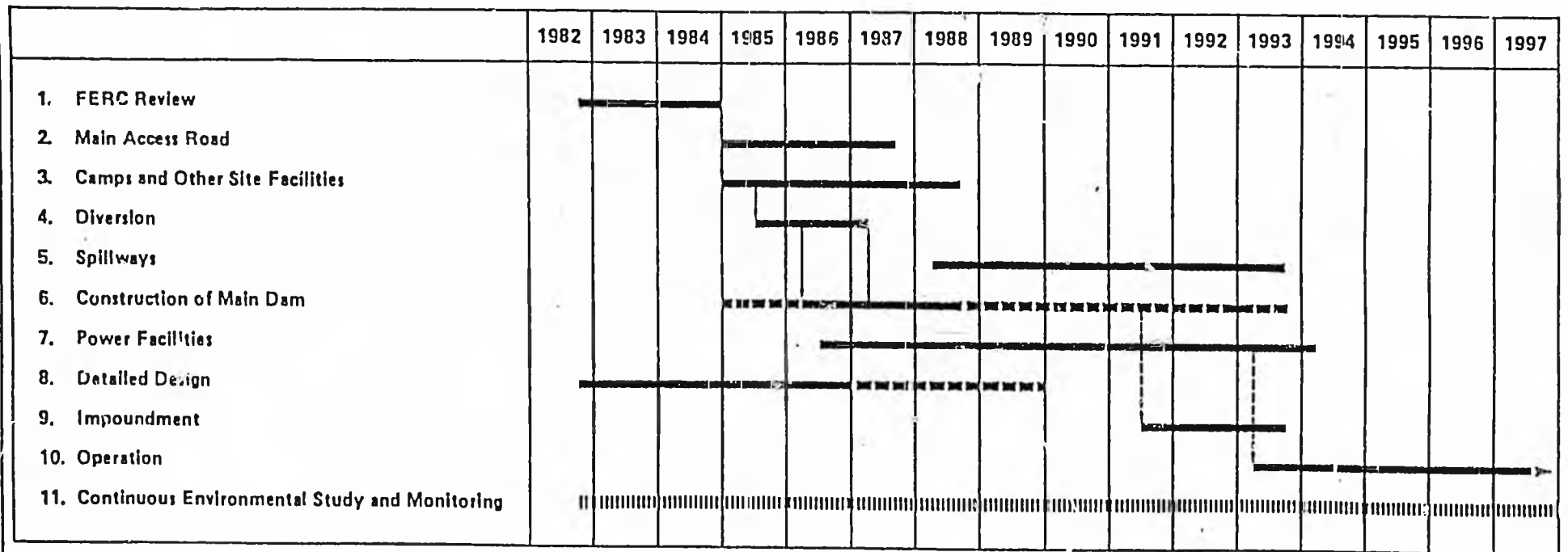


EXHIBIT B -- WATANA CONSTRUCTION SCHEDULE



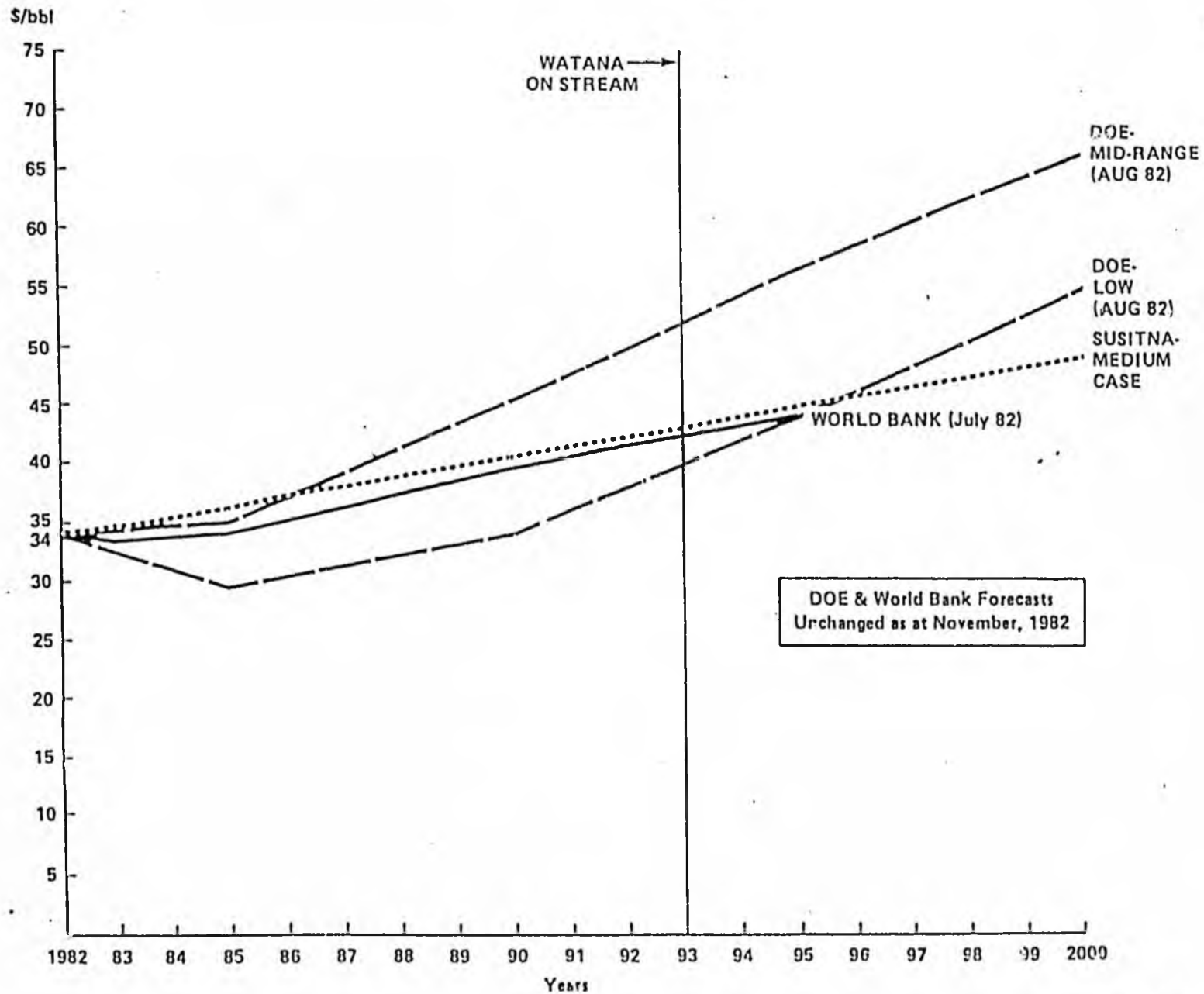
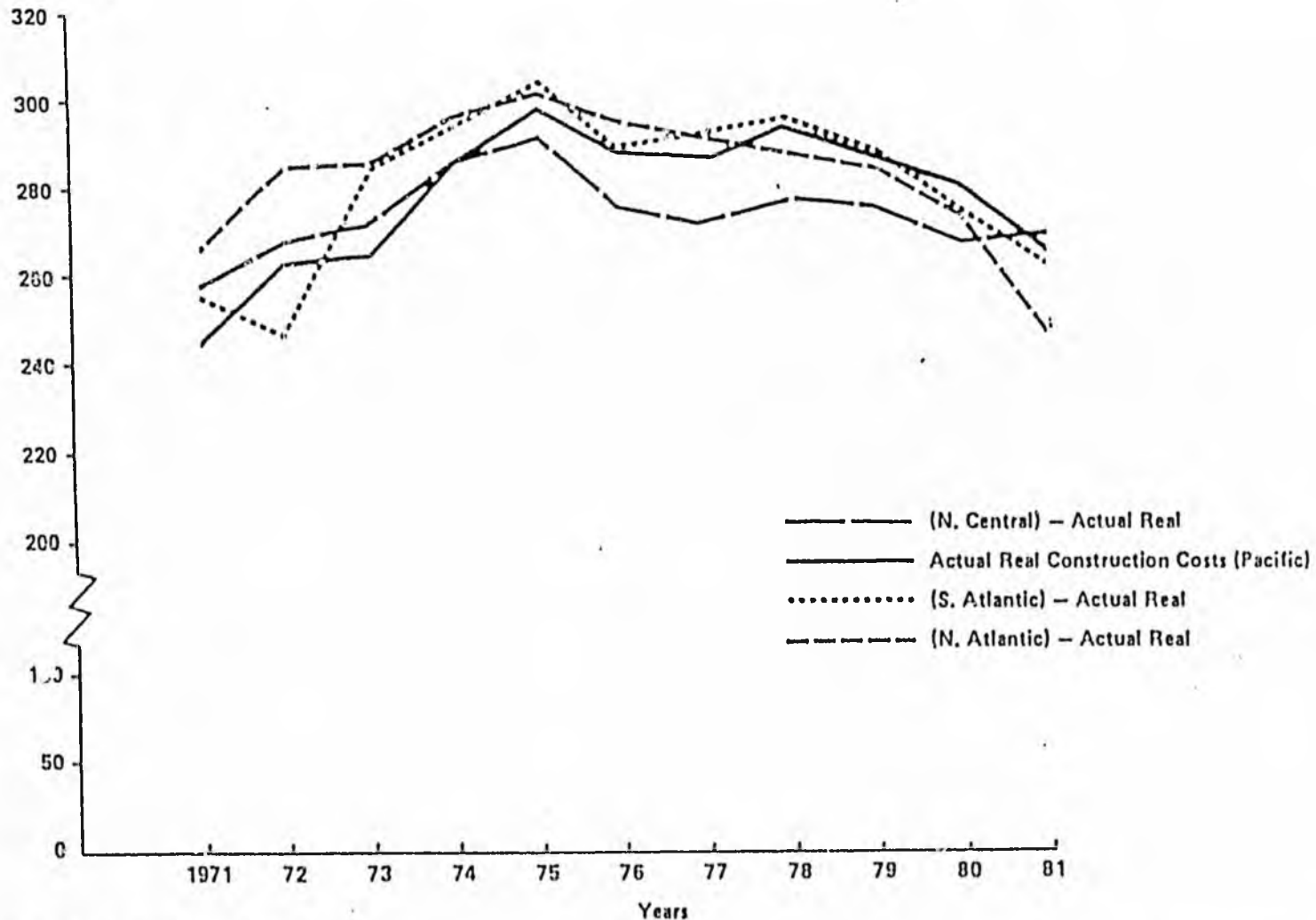


Exhibit C  
 WORLD OIL PRICE FORECASTS  
 (Constant 1982 Dollars)



(Constant)  
Index  
1949 = 100



Source: ENR Utilities, December 17, 1981 for  
nominal costs;  
Monthly Labor Review, US Dept. of Labor  
November, 1982 for Consumer Price Index

EXHIBIT D -- US HYDROELECTRIC PLANT CONSTRUCTION  
COST INDEXES



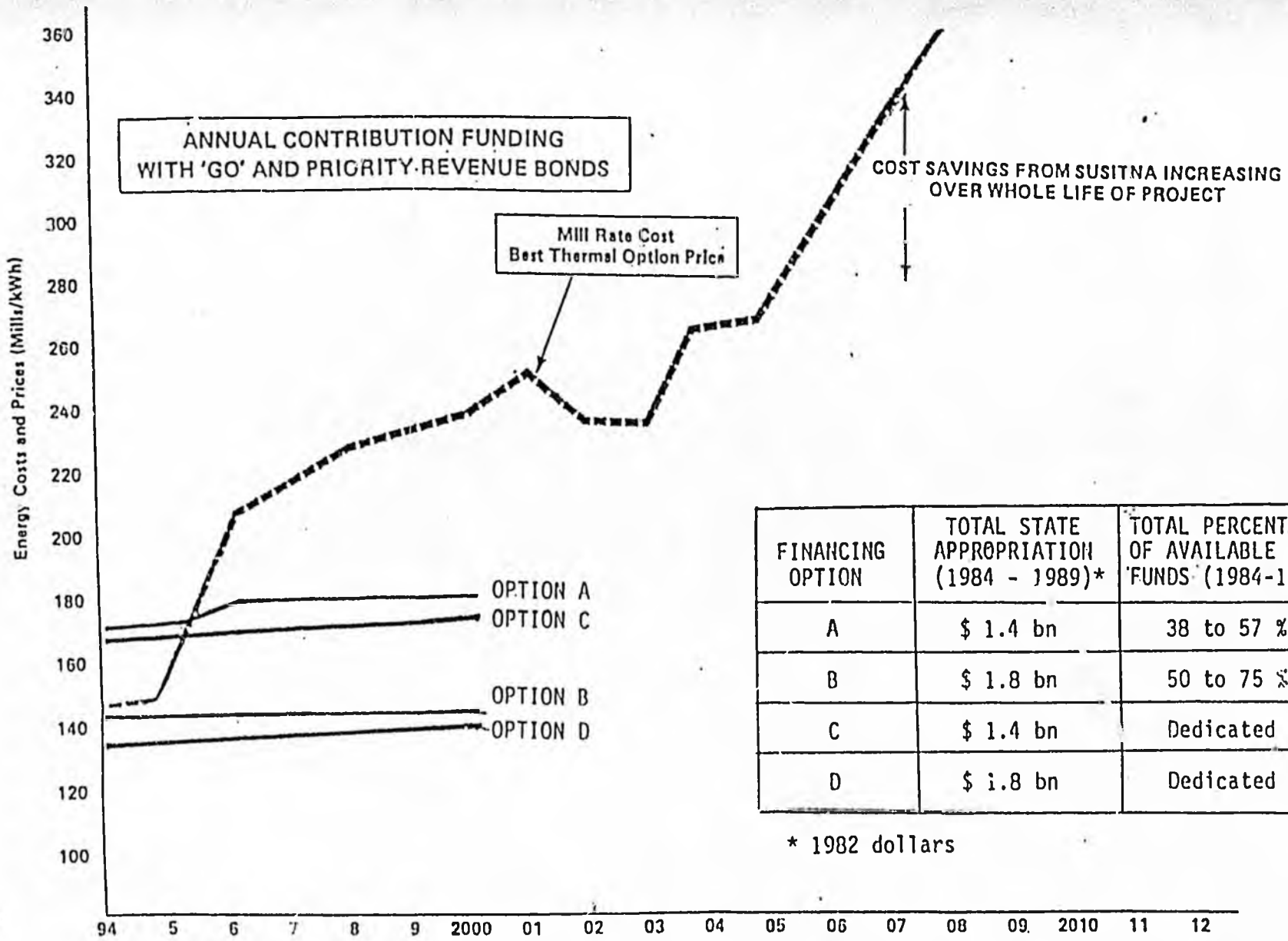


EXHIBIT E  
ENERGY COST COMPARISON  
WITH VARIOUS FINANCING OPTIONS



FINANCIAL ANALYSES

	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994
CASH FLOW SUMMARY ---(\$BILLION)---										
73 ENERGY OWH	0	0	0	0	0	0	0	0	3387	3387
521 REAL PRICE-MILLS	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	50.93	61.60
466 INFLATION INDEX	122.62	129.98	137.78	146.05	154.81	165.65	177.24	189.65	202.92	217.13
520 PRICE-MILLS	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	103.34	133.76
-----INCOME-----										
516 REVENUE	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	350.0	453.0
170 LESS OPERATING COSTS	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	25.1	27.3
517 OPERATING INCOME	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	324.9	425.7
214 ADD INTEREST EARNED ON FUNDS	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	5.3
550 LESS INTEREST ON SHORT TERM DEBT	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	20.6
391 LESS INTEREST ON LONG TERM DEBT	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	439.7	469.3
548 NET EARNINGS FROM OPERS	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-114.7	-59.0
-----CASH SOURCE AND USE-----										
548 CASH INCOME FROM OPERS	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-114.7	-59.0
448 STATE CONTRIBUTION	375.7	436.1	437.2	447.4	208.2	0.0	0.0	0.0	0.0	0.0
143 LONG TERM DEBT DRAWDOWNS	0.0	0.0	0.0	0.0	632.6	1464.8	1341.6	957.8	411.1	102.0
248 WORCAP DEBT DRAWDOWNS	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	91.4	15.5
549 TOTAL SOURCES OF FUNDS	375.7	436.1	437.2	447.4	840.8	1464.8	1341.6	957.8	387.8	58.5
320 LESS CAPITAL EXPENDITURE	375.7	436.1	437.2	447.4	840.8	1464.8	1341.6	957.8	298.4	25.7
448 LESS WORCAP AND FUNDS	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	91.4	15.5
260 LESS DEBT REPAYMENTS	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	17.3
395 LESS PAYMENT TO STATE	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
141 CASH SURPLUS(DEFICIT)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
249 SHORT TERM DEBT	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
444 CASH RECOVERED	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
-----BALANCE SHEET-----										
225 RESERVE AND CONT. FUND	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	52.6	57.4
371 OTHER WORKING CAPITAL	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	38.8	49.4
451 CASH SURPLUS RETAINED	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
370 CUM. CAPITAL EXPENDITURE	375.7	811.8	1248.9	1696.3	2537.1	4002.0	5343.5	6301.3	6597.7	6623.4
465 CAPITAL EMPLOYED	375.7	811.8	1248.9	1696.3	2537.1	4002.0	5343.5	6301.3	6889.1	6730.3
461 STATE CONTRIBUTION	375.7	811.8	1248.9	1696.3	1904.5	1904.5	1904.5	1904.5	1904.5	1904.5
462 RETAINED EARNINGS	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-114.7	-173.8
555 DEBT OUTSTANDING-SHORT TERM	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	91.4	106.8
554 DEBT OUTSTANDING-LONG TERM	0.0	0.0	0.0	0.0	632.6	2077.4	3439.0	4396.0	4807.9	4892.7
542 ANNUAL DEBT DRAWDOWN 1982	0.0	0.0	0.0	0.0	408.6	884.3	756.9	505.0	202.6	47.0
543 CUM. DEBT DRAWDOWN 1982	0.0	0.0	0.0	0.0	408.6	1292.9	2049.8	2554.9	2757.5	2804.5
519 DEBT SERVICE COVER	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.74	0.84

Option A -- \$1.4 Billion Drawn From Uncommitted State Funds Available For Capital Construction  
Page 1 of 2



	1995	1996	1997	1998	1999	2000	2001	2002	2003	TOTAL
CASH FLOW SUMMARY ---(\$MILLION)---										
73 ENERGY O/H	3387	3387	3387	3387	3387	3387	3387	3387	3387	37257
521 REAL PRICE-MILLS	60.24	71.94	67.56	63.34	59.44	55.81	52.45	49.36	46.51	0.00
466 INFLATION INDEX	232.33	248.59	265.99	284.61	304.53	325.85	348.66	373.07	399.18	0.00
520 PRICE-MILLS	139.96	178.84	179.71	180.78	181.02	181.87	182.87	184.15	185.64	0.00
-----INCOME-----										
518 REVENUE	474.0	605.7	608.8	610.6	613.1	615.9	619.3	623.7	628.7	6202.6
170 LESS OPERATING COSTS	29.8	32.6	35.6	38.8	42.3	46.2	50.4	55.1	60.1	443.3
517 OPERATING INCOME	444.2	573.1	573.1	571.8	570.7	569.7	568.9	568.6	568.7	5759.3
214 ADD INTEREST EARNED ON FUNDS	5.7	6.3	6.8	7.5	8.1	8.9	9.7	10.6	11.6	80.5
550 LESS INTEREST ON SHORT TERM DEBT	32.4	42.8	43.2	42.4	41.9	41.5	41.3	41.7	42.4	390.1
391 LESS INTEREST ON LONG TERM DEBT	467.6	465.7	463.6	461.3	458.7	456.0	452.9	449.5	445.8	5030.1
548 NET EARNINGS FROM OPERS	-50.1	70.9	73.1	75.6	78.2	81.2	84.5	88.0	92.0	419.7
-----CASH SOURCE AND USE-----										
548 CASH INCOME FROM OPERS	-50.1	70.9	73.1	75.6	78.2	81.2	84.5	88.0	92.0	419.7
446 STATE CONTRIBUTION	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1904.5
143 LONG TERM DEBT DRAWDOWNS	96.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	5006.6
248 WORCAP DEBT DRAWDOWNS	7.7	24.6	10.5	11.2	10.2	9.9	13.5	14.4	15.3	224.2
549 TOTAL SOURCES OF FUNDS	54.3	95.5	83.6	86.8	88.4	91.1	98.0	102.4	107.3	7555.0
320 LESS CAPITAL EXPENDITURE	27.5	29.4	31.5	33.7	36.1	38.6	41.3	44.2	47.3	3953.0
448 LESS WORCAP AND FUNDS	7.7	24.6	10.5	11.2	10.2	9.9	13.5	14.4	15.3	224.2
260 LESS DEBT REPAYMENTS	19.0	22.1	24.3	26.8	29.4	32.4	35.6	39.2	43.1	289.2
395 LESS PAYMENT TO STATE	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
141 CASH SURPLUS(DEFICIT)	0.0	19.3	17.3	15.1	12.8	10.2	7.6	4.7	1.6	80.6
249 SHORT TERM DEBT	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
444 CASH RECOVERED	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
-----BALANCE SHEET-----										
225 RESERVE AND CONT. FUND	62.7	66.4	74.7	81.5	88.9	97.1	105.9	115.6	126.2	126.2
371 OTHER WORKING CAPITAL	51.9	70.8	75.0	79.4	82.2	83.9	88.6	93.3	98.0	98.0
454 CASH SURPLUS RETAINED	0.0	19.3	36.6	51.7	64.5	74.7	82.3	87.0	88.6	80.3
370 CUM. CAPITAL EXPENDITURE	6651.0	6680.4	6711.9	6745.4	6781.7	6820.3	6861.6	6905.7	6953.0	6953.0
465 CAPITAL EMPLOYED	6765.5	6838.9	6898.2	6958.2	7017.2	7076.0	7138.3	7201.6	7265.0	7265.0
461 STATE CONTRIBUTION	1904.5	1904.5	1904.5	1904.5	1904.5	1904.5	1904.5	1904.5	1904.5	1904.5
462 RETAINED EARNINGS	-223.8	-152.9	-79.8	-4.2	74.0	155.2	239.7	327.7	419.7	419.7
555 DEBT OUTSTANDING-SHORT TERM	114.6	139.2	149.7	160.9	171.1	181.0	194.5	208.9	224.2	224.2
554 DEBT OUTSTANDING-LONG TERM	4970.2	4918.1	4923.8	4897.0	4867.6	4835.2	4799.6	4760.5	4717.4	4717.4
542 ANNUAL DEBT DRAWDOWN 11902	41.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	2046.0
543 CUM. DEBT DRAWDOWN 11902	2046.0	2046.0	2046.0	2046.0	2046.0	2046.0	2046.0	2046.0	2046.0	2046.0
519 DEBT SERVICE COVER	0.06	1.10	1.10	1.10	1.10	1.10	1.10	1.10	1.10	0.00



	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994
CASH FLOW SUMMARY ---(\$MILLION)---										
73 ENERGY GWH	0	0	0	0	0	0	0	0	3387	3387
521 REAL PRICE-HILLS	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	50.93	61.60
468 INFLATION INDEX	122.43	129.98	137.78	146.05	154.81	165.65	177.24	189.65	202.92	217.13
520 PRICE-HILLS	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	103.34	133.76
-----INCOME-----										
516 REVENUE	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	350.0	453.0
170 LESS OPERATING COSTS	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	25.1	27.3
517 OPERATING INCOME	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	324.9	425.7
214 ADD. INTEREST EARNED ON FUNDS	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	5.3
550 LESS INTEREST ON SHORT TERM DEBT	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	17.4
391 LESS INTEREST ON LONG TERM DEBT	0.0	0.0	0.0	0.9	0.0	0.0	0.0	0.0	357.3	384.9
548 NET EARNINGS FROM OPERS	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-32.3	31.8
-----CASH SOURCE AND USE-----										
548 CASH INCOME FROM OPERS	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-32.3	31.8
446 STATE CONTRIBUTION	375.7	436.1	437.2	447.4	840.8	0.0	0.0	0.0	0.0	0.0
143 LONG TERM DEBT DRAWDOWNS	0.0	0.0	0.0	0.0	13.3	1402.9	1273.5	882.9	328.7	8.3
248 WORCAP DEBT DRAWDOWNS	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	91.4	15.5
549 TOTAL SOURCES OF FUNDS	375.7	436.1	437.2	447.4	840.8	1402.9	1273.5	882.9	387.8	55.4
320 LESS CAPITAL EXPENDITURE	375.7	436.1	437.2	447.4	840.8	1402.9	1273.5	882.9	296.4	25.7
448 LESS WORCAP AND FUNDS	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	91.4	15.5
240 LESS DEBT REPAYMENTS	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	14.3
395 LESS PAYMENT TO STATE	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
141 CASH SURPLUS (DEFICIT)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
249 SHORT TERM DEBT	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
444 CASH RECOVERED	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
-----BALANCE SHEET-----										
225 RESERVE AND CONT. FUND	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	52.6	57.4
371 OTHER WORKING CAPITAL	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	38.8	39.4
454 CASH SURPLUS RETAINED	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
370 CUM. CAPITAL EXPENDITURE	375.7	811.8	1248.9	1696.3	2537.1	3940.0	5213.5	6096.4	6392.0	6418.5
465 CAPITAL EMPLOYED	375.7	811.8	1248.9	1696.3	2537.1	3940.0	5213.5	6096.4	6484.1	6525.3
461 STATE CONTRIBUTION	375.7	811.8	1248.9	1696.3	2523.8	2523.8	2523.8	2523.8	2523.8	2523.8
462 RETAINED EARNINGS	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-32.3	-0.7
553 DEBT OUTSTANDING-SHORT TERM	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	91.4	104.8
554 DEBT OUTSTANDING-LONG TERM	0.0	0.0	0.0	0.0	13.3	1416.3	2689.7	3572.6	3901.3	3895.4
542 ANNUAL DEBT DRAWDOWN \$1982	0.0	0.0	0.0	0.0	0.6	846.9	718.3	465.5	162.0	3.0
543 CUM. DEBT DRAWDOWN \$1982	0.0	0.0	0.0	0.0	0.6	855.5	1574.0	2039.5	2201.5	2205.4
519 DEBT SERVICE COVER	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.91	1.04

Option B -- \$1.8 Billion Drawn From Uncommitted State  
 Funds Available For Capital Construction  
 Page 1 of 2



	1995	1996	1997	1998	1999	2000	2001	2002	2003	TOTAL
<b>CASH FLOW SUMMARY</b>										
---(\$MILLION)---										
73 ENERGY GWH	3387	3387	3387	3387	3387	3387	3387	3387	3387	37257
521 REAL PRICE-HILLS	40.24	37.33	34.00	30.76	47.76	44.98	42.39	40.03	37.85	0.00
466 INFLATION INDEX	232.33	248.59	245.99	284.61	304.53	325.85	348.66	373.07	399.18	0.00
520 PRICE-HILLS	139.94	142.51	143.63	144.46	145.45	146.55	147.81	149.34	151.08	0.00
<b>-----INCOME-----</b>										
516 REVENUE	474.0	482.6	486.4	489.3	492.6	496.3	500.6	505.8	511.7	5242.3
170 LESS OPERATING COSTS	29.8	32.6	35.6	38.8	42.3	46.2	50.4	55.1	60.1	443.3
517 OPERATING INCOME	444.2	450.1	450.9	450.5	450.2	450.1	450.1	450.7	451.6	4799.0
214 ADD INTEREST EARNED ON FUNDS	5.7	6.3	6.8	7.5	8.1	8.9	9.7	10.6	11.6	80.5
550 LESS INTEREST ON SHORT TERM DEBT	14.7	14.9	16.3	16.4	16.9	17.5	18.3	19.7	21.5	168.4
391 LESS INTEREST ON LONG TERM DEBT	383.5	383.9	382.2	380.3	378.2	375.9	373.4	370.6	367.5	4141.5
548 NET EARNINGS FROM OPERS	49.7	57.6	59.3	61.2	63.3	65.6	68.2	71.0	74.1	569.4
<b>-----CASH SOURCE AND USE-----</b>										
548 CASH INCOME FROM OPERS	49.7	57.6	59.3	61.2	63.3	65.6	68.2	71.0	74.1	569.4
446 STATE CONTRIBUTION	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	2523.8
143 LONG TERM DEBT DRAWDOWNS	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	3909.7
248 WORCAP DEBT DRAWDOWNS	7.7	24.6	10.5	11.2	10.2	9.9	13.5	14.4	15.3	224.2
549 TOTAL SOURCES OF FUNDS	57.4	82.2	69.8	72.4	73.5	75.6	81.7	85.4	89.4	7227.0
320 LESS CAPITAL EXPENDITURE	27.5	29.4	31.5	33.7	36.1	38.6	41.3	44.2	47.3	6748.0
448 LESS WORCAP AND FUNDS	7.7	24.6	10.5	11.2	10.2	9.9	13.5	14.4	15.3	224.2
260 LESS DEBT REPAYMENTS	15.7	17.4	19.2	21.1	23.2	25.5	28.1	30.9	34.0	229.2
395 LESS PAYMENT TO STATE	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
141 CASH SURPLUS (DEFICIT)	6.5	10.7	0.6	6.4	4.1	1.5	-1.1	-4.0	-7.1	25.5
249 SHORT TERM DEBT	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
444 CASH RECOVERED	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>-----BALANCE SHEET-----</b>										
325 RESERVE AND CONT. FUND	62.7	68.4	74.7	81.5	88.9	97.1	105.9	115.6	126.2	126.2
371 OTHER WORKING CAPITAL	51.9	70.0	75.0	79.4	82.2	83.9	88.6	93.3	98.0	98.0
454 CASH SURPLUS RETAINED	6.5	17.2	25.8	32.2	36.3	37.8	36.7	32.6	25.5	25.5
370 CUM. CAPITAL EXPENDITURE	6446.0	6475.4	6506.9	6540.6	6574.7	6615.3	6656.6	6700.8	6748.0	6748.0
465 CAPITAL EMPLOYED	6567.0	6631.8	6682.4	6733.8	6784.1	6834.1	6887.8	6942.3	6997.8	6997.8
461 STATE CONTRIBUTION	2523.8	2523.8	2523.8	2523.8	2523.8	2523.8	2523.8	2523.8	2523.8	2523.8
462 RETAINED EARNINGS	49.0	106.6	163.9	227.1	290.4	356.1	424.3	495.3	569.4	569.4
555 DEBT OUTSTANDING-SHORT TERM	114.6	139.2	149.7	160.9	171.1	181.0	194.5	208.9	224.2	224.2
554 DEBT OUTSTANDING-LONG TERM	3079.7	3062.2	3043.1	3022.0	3000.8	2975.3	2945.2	2914.4	2880.4	2880.4
542 ANNUAL DEBT DRAWDOWN 11982	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	2205.4
543 CUM. DEBT DRAWDOWN 11982	2205.4	2205.4	2205.4	2205.4	2205.4	2205.4	2205.4	2205.4	2205.4	2205.4
519 DEBT SERVICE COVER	1.00	1.10	1.10	1.10	1.10	1.10	1.10	1.10	1.10	0.00



	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994
CASH FLOW SUMMARY										
---(MILLION)---										
73 ENERGY GWH	0	0	0	0	0	0	0	0	3387	3387
521 REAL PRICE-MILLS	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	50.93	61.60
466 INFLATION INDEX	122.62	129.98	137.78	146.05	154.81	165.65	177.24	189.85	202.97	217.13
520 PRICE-MILLS	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	103.34	133.76
-----INCOME-----										
516 REVENUE	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	350.0	453.0
170 LESS OPERATING COSTS	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	25.1	27.3
517 OPERATING INCOME	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	324.9	425.7
214 ADD INTEREST EARNED ON FUNDS	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	5.3
550 LESS INTEREST ON SHORT TERM DEBT	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	19.1
391 LESS INTEREST ON LONG TERM DEBT	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	424.9	454.6
548 NET EARNINGS FROM OPERS	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-100.0	-42.8
-----CASH SOURCE AND USE-----										
548 CASH INCOME FROM OPERS	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-100.0	-42.8
446 STATE CONTRIBUTION	806.8	413.3	475.3	115.4	0.0	0.0	0.0	0.0	0.0	0.0
143 LONG TERM DEBT DRAWDOWNS	0.0	0.0	0.0	0.0	521.8	1453.8	1329.4	944.4	396.4	85.3
248 WORCAP DEBT DRAWDOWNS	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	91.4	15.5
549 TOTAL SOURCES OF FUNDS	806.8	413.3	475.3	115.4	521.8	1453.8	1329.4	944.4	387.8	57.9
320 LESS CAPITAL EXPENDITURE	373.3	390.3	389.2	390.9	911.8	1453.8	1329.4	944.4	296.4	25.7
448 LESS WORCAP AND FUNDS	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	91.4	15.5
260 LESS DEBT REPAYMENTS	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	18.8
395 LESS PAYMENT TO STATE	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
141 CASH SURPLUS (DEFICIT)	433.5	22.8	86.1	-275.5	-290.0	0.0	0.0	0.0	0.0	0.0
249 SHORT TERM DEBT	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
444 CASH RECOVERED	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
-----BALANCE SHEET-----										
225 RESERVE AND CONT. FUND	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	52.6	57.4
371 OTHER WORKING CAPITAL	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	38.8	49.4
454 CASH SURPLUS RETAINED	456.6	479.4	565.5	290.0	0.0	0.0	0.0	0.0	0.0	0.0
370 CUM. CAPITAL EXPENDITURE	373.3	763.8	1153.0	1543.9	2455.7	3909.4	5138.8	6083.2	6379.6	6405.3
465 CAPITAL EMPLOYED	829.9	1243.2	1718.5	1833.9	2455.7	3909.4	5138.8	6083.2	6471.0	6512.1
461 STATE CONTRIBUTION	806.8	1220.1	1695.4	1810.8	1810.8	1810.8	1810.8	1810.8	1810.8	1810.8
462 RETAINED EARNINGS	23.1	23.1	23.1	23.1	23.1	23.1	23.1	23.1	-76.9	-119.7
555 DEBT OUTSTANDING-SHORT TERM	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	91.4	106.8
551 DEBT OUTSTANDING-LONG TERM	0.0	0.0	0.0	0.0	321.8	1975.3	3304.9	4249.3	4645.7	4714.2
542 ANNUAL DEBT DRAWDOWN 11982	0.0	0.0	0.0	0.0	337.0	877.6	750.0	498.0	195.3	39.3
543 CUM. DEBT DRAWDOWN 11982	0.0	0.0	0.0	0.0	337.0	1214.6	1964.7	2462.6	2658.0	2697.2
519 DEBT SERVICE COVER	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.74	0.87

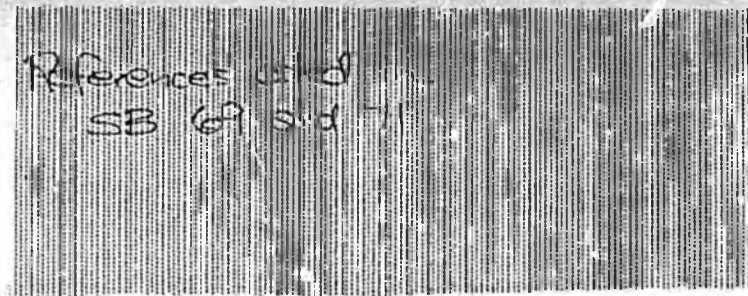
Option C -- \$1.4 Billion Dedicated From  
 Permanent Fund Income  
 Page 1 of 2



	1995	1996	1997	1998	1999	2000	2001	2002	2003	TOTAL
CASH FLOW SUMMARY ---(MILLION)---										
73 ENERGY CUM	3387	3387	3387	3387	3387	3387	3387	3387	3387	37257
521 REAL PRICE-MILLS	60.24	69.32	65.13	61.09	57.35	53.87	50.65	47.69	44.96	0.00
466 INFLATION INDEX	232.33	248.59	265.99	284.81	304.53	325.85	348.66	373.07	399.18	0.00
520 PRICE-MILLS	139.96	172.33	173.25	173.87	174.65	175.55	176.60	177.92	179.46	0.00
-----INCOME-----										
516 REVENUE	474.0	583.7	586.7	588.9	591.5	594.5	598.1	602.6	607.8	6030.7
170 LESS OPERATING COSTS	29.8	32.6	35.6	38.8	42.3	46.2	50.4	55.1	60.1	443.3
517 OPERATING INCOME	444.2	551.1	551.2	550.1	549.2	548.3	547.6	547.5	547.7	5587.4
214 ADD INTEREST EARNED ON FUNDS	5.7	6.3	6.8	7.5	8.1	8.9	9.7	10.6	11.6	80.5
550 LESS INTEREST ON SHORT TERM DEBT	29.2	37.8	38.4	37.8	37.4	37.2	37.2	37.7	38.7	350.5
391 LESS INTEREST ON LONG TERM DEBT	452.9	451.0	449.0	446.8	444.3	441.6	438.7	435.4	431.8	4871.0
548 NET EARNINGS FROM OPERS	-32.2	88.5	70.6	73.0	75.6	78.4	81.5	85.0	88.8	446.4
-----CASH SOURCE AND USE-----										
548 CASH INCOME FROM OPERS	-32.2	88.5	70.6	73.0	75.6	78.4	81.5	85.0	88.8	446.4
446 STATE CONTRIBUTION	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
143 LONG TERM DEBT DRAWDOWNS	78.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	409.1
248 WORCAP DEBT DRAWDOWNS	7.7	24.6	10.5	11.2	10.2	9.9	13.5	14.4	15.3	124.2
519 TOTAL SOURCES OF FUNDS	53.7	93.1	81.1	84.2	85.7	88.3	95.0	99.4	104.1	7290.5
320 LESS CAPITAL EXPENDITURE	27.5	29.4	31.5	33.7	36.1	38.6	41.3	44.2	47.1	6734.9
448 LESS WORCAP AND FUNDS	7.7	24.6	10.5	11.2	10.2	9.9	13.5	14.4	15.3	224.2
260 LESS DEBT REPAYMENTS	18.4	21.3	23.4	25.7	28.3	31.1	34.3	37.7	41.4	278.4
395 LESS PAYMENT TO STATE	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
141 CASH SURPLUS(DEFICIT)	0.0	17.8	15.7	13.5	11.2	8.7	6.0	3.1	0.0	53.0
249 SHORT TERM DEBT	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
444 CASH RECOVERED	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
-----BALANCE SHEET-----										
225 RESERVE AND CONT. FUND	62.7	68.4	74.7	81.5	88.9	97.1	105.9	115.6	126.2	126.2
371 OTHER WORKING CAPITAL	51.9	70.8	75.0	79.4	82.2	83.9	88.6	93.3	98.0	98.0
454 CASH SURPLUS RETAINED	0.0	17.8	33.3	47.1	58.3	67.0	73.0	76.1	76.1	76.1
370 CUM. CAPITAL EXPENDITURE	6432.8	6462.3	6493.8	6527.5	6563.5	6602.1	6643.4	6687.6	6734.9	6734.9
465 CAPITAL EMPLOYED	6547.4	6619.2	6677.0	6735.5	6792.9	6850.1	6910.9	6972.6	7035.2	7035.2
461 STATE CONTRIBUTION	1810.8	1810.8	1810.8	1810.8	1810.8	1810.8	1810.8	1810.8	1810.8	1810.8
462 RETAINED EARNINGS	-151.9	-83.4	-12.7	40.2	135.0	214.2	295.8	380.7	469.5	469.5
555 DEBT OUTSTANDING-SHORT TERM	114.6	139.2	149.7	160.9	171.1	181.0	194.5	208.9	224.2	224.2
554 DEBT OUTSTANDING-LONG TERM	4773.9	4752.6	4729.3	4703.5	4675.2	4644.1	4609.8	4572.1	4530.7	4530.7
542 ANNUAL DEBT DRAWDOWN 11982	33.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	2730.9
543 CUM. DEBT DRAWDOWN 11982	2730.9	2730.9	2730.9	2730.9	2730.9	2730.9	2730.9	2730.9	2730.9	2730.9
519 DEBT SERVICE COVER	0.89	1.10	1.10	1.10	1.10	1.10	1.10	1.10	1.10	0.00



(B)



Sec. 44.83.181. Feasibility study and finance plan. (a) Unless the reconnaissance study has been disapproved by the division of budget and management under AS 44.83.179, the authority shall complete a feasibility study and plan of finance for each proposed project.

(b) A feasibility study shall include

(1) information about the proposed project, including but not limited to estimates of total project construction costs, total project operating costs, the costs of transmission systems and reserve power requirements, the timing and amount of anticipated returns from the completed project, a benefit-to-cost ratio, the potential effect of the project on the environment of the area which will be served by the project when completed, and the availability of alternative government financing;

(2) a statement of all assumptions which affect the economic feasibility of the project, including but not limited to the discount rate and interest rate of amounts of money to be used for the project, anticipated fuel prices, an escalation rate, state and local electric load growth, and estimates of indirect costs and benefits;

(3) a comparative analysis of all reasonable alternatives to construction of the proposed project; and

(4) information based on engineering and design work which meets the requirements for submission of a license application for the project to the Federal Energy Regulatory Commission.

(c) The plan of finance shall include recommendations of the most appropriate means to finance a project, including, but not limited to,

(1) the issuance of revenue bonds of the authority;

(2) the issuance of

(A) general obligation bonds of the state; or

(B) revenue bonds of the authority which are guaranteed or partially guaranteed by the state;

(3) an appropriation from the general fund

(A) to pay debt service on bonds or for other project purposes; or

(B) to reduce the amount of debt financing for the project;

- (4) a loan from the general fund;
- (5) financing arrangements with other entities using leveraged leases or other financing methods;
- (6) assistance from any federal agency, including, but not limited to, the Rural Electrification Administration;
- (7) a loan from the power project fund (AS 44.83.170(a)), or from the renewable resources investment fund (AS 37.11.050); or
- (8) any combination of financing arrangements listed in this subsection.

(d) When financial assistance from the state is necessary for a project to meet financial feasibility criteria, the plan of finance shall include an estimate of the minimum amount of financial assistance required from the state. The plan of finance shall include an estimate of the present value of the financial assistance from the state, computed as the difference between

(1) a market rate of interest, which is

(A) the rate determined under AS 44.83.170(1)(2)(B)(i); or

(B) the estimated interest rate for revenue bonds to be issued by the authority for the project; and

(2) the effective rate of interest because of state financial assistance provided.

(e) The authority, in consultation with the division of budget and management, shall adopt regulations defining

(1) the techniques which it shall apply to determine that the information required by (b) — (d) of this section is obtained; and

(2) standard criteria and measures for comparative analysis of alternative financing arrangements. (§ 24 ch 83 SLA 1980; am § 6 ch 133 SLA 1982)

*Effect of amendments.* — The 1982 "and reserve power requirements" in paragraph (1) of subsection (b). Inserted "the costs of transmission systems"

Sec. 44.83.183. Review of feasibility studies and plans of finance by division of budget and management. (a) The division of budget and management in the Office of the Governor shall review the feasibility study and plan of finance for a project of the authority for compliance with the provisions of AS 44.83.181(b) — (d).

(b) In its review under this section, the division of budget and management may obtain an independent evaluation of a feasibility study and plan of finance to determine compliance with the provisions of AS 44.83.181(b) — (d).

(c) When the division of budget and management has completed a review of the feasibility study and the plan of finance for a project under this section, it shall submit a report to the governor. The report shall examine the feasibility study and plan of finance for compliance with the requirements of AS 44.83.181(b) — (d). The report of the

division of budget and management shall include a recommendation to the governor and legislature for approval or disapproval of the project based on the division's review of the feasibility study and plan of finance for compliance with the requirements of AS 44.83.181(b) — (d).

(d) The report required by (c) of this section shall be prepared and submitted not later than 60 days after the feasibility study and plan of finance for a proposed project have been received by the division of budget and management.

(e) The report required by (c) of this section shall include a financial analysis of the proposed project of the authority that evaluates proposed bond resolutions or other financial arrangements or financial plans, security plans and arrangements, cost and demand uncertainties, and debt volume, as they relate to the total direct and indirect indebtedness of the state. In preparing the financial analysis required by this section the division of budget and management may use the services of outside agencies or institutions that are not otherwise involved in the project. (§ 24 ch 83 SLA 1980; am § 7 ch 133 SLA 1982)

Effect of amendments. — The 1982 amendment, effective June 25, 1982, added subsection (e).

Sec. 44.83.185. Submission to the legislature. (a) The authority shall submit a feasibility study and plan of finance for a proposed new project to the legislature. When the report of the division of budget and management examining the feasibility study and plan of finance is completed as required by AS 44.83.183, it shall be submitted to the legislature.

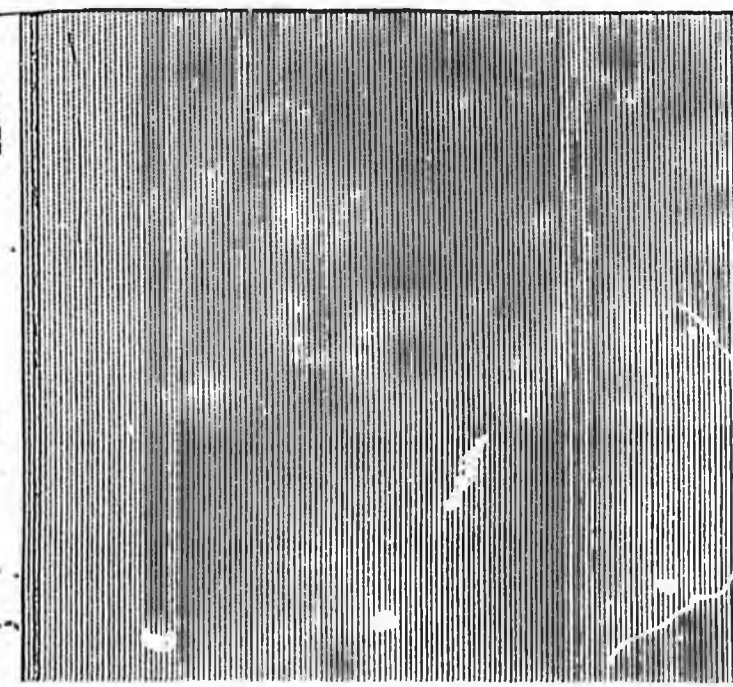
(b) The authority may not proceed with work on the engineering or design phase of a proposed new project for which legislative approval is required until the legislature approves the proposed new project. However, the authority may proceed with the engineering or design work necessary to meet the requirements for submission of a license application for the proposed new project to the Federal Energy Regulatory Commission without obtaining legislative approval of the proposed new project.

(c) The legislature shall consider and must approve all proposed new projects except proposed new projects that are exempt under AS 44.83.187. The legislature may approve a proposed new project only by enacting law that authorizes the project and approves a construction cost for that project. (§ 24 ch 83 SLA 1980; am § 8 ch 133 SLA 1982)

Effect of amendments. — The 1982 amendment, effective June 26, 1982, substituted "that authorizes the project and approves a construction cost for" for "authorizing;" in the second sentence of subsection (c).

Sec. 44.83.186. Final cost estimate and reauthorization by the legislature. If a project is approved under AS 44.83.185(c), the authority shall obtain a final cost estimate for the project from an independent source qualified to make such an estimate. If the final cost estimate does not exceed the construction cost authorized by the legislature under AS 44.83.185, adjusted for inflation, by more than seven and one-half percent, the authority may proceed with the construction of the project. If the final cost estimate exceeds the construction cost authorized by the legislature under AS 44.83.185, adjusted for inflation, by more than seven and one-half percent, the authority shall revise its feasibility study and, if it determines that the project remains feasible, the authority shall submit the revised feasibility study and the independent cost estimate to the legislature. A proposed project that is returned for reconsideration by the legislature under this section may not be constructed unless the legislature reauthorizes it by enacting law for that purpose. (§ 9 ch 133 SLA 1982)

Effective dates. — Section 22, ch. 133, June 25, 1982, in accordance with AS SLA 1982, makes this section effective 01.10.070(c).



## Article 7. Susitna River Hydroelectric Project.

Section	Section
300. Description of project	340. Annual report
310. Purpose of project	350. Legislative and executive oversight
320. Preliminary reports	360. Project financing
325. Restrictions on contracting	
330. Construction, maintenance and operation of projects	

**Sec. 44.83.300. Description of project.** The Susitna River hydroelectric project consists of dams and related reservoirs, and power plants located in the Upper Susitna River Basin, and related transmission lines, facilities, and load centers, as described in the Alaska Power Authority's report required by AS 44.83.320(b). (§ 2 ch 169 SLA 1980)

**Sec. 44.83.310. Purpose of project.** The primary purpose of the Susitna River hydroelectric project is to generate, transmit and distribute electric power in a manner which will

- (1) minimize market area electrical power costs;
- (2) minimize adverse environmental and social impacts while enhancing environmental values to the extent possible; and
- (3) safeguard both life and property. (§ 2 ch 169 SLA 1980)

**Sec. 44.83.320. Preliminary reports.** (a) By March 30, 1981, the authority shall prepare and submit to the governor and to the legislature a preliminary report recommending whether work should continue on the Susitna River hydroelectric project, and, if the recommendation is to continue on the project, the report shall explain in detail

- (1) economic evaluations and preliminary environmental impact assessments for the Susitna River hydroelectric project and all viable alternatives;
- (2) the federal and state permits required to be obtained before construction can begin and the expected construction start date; and
- (3) any other information the authority considers appropriate or necessary to adequately inform the governor and the legislature of the status of the Susitna River hydroelectric project.

(b) By April 30, 1982, the authority shall prepare and submit to the governor and to the legislature a preliminary report recommending whether work should continue on the Susitna River hydroelectric project, and other viable alternatives. If the recommendation is to continue on the Susitna River hydroelectric project, the report shall explain in detail

- (1) the proposed conceptual design and phases of construction of the Susitna River hydroelectric project;

**Sec. 44.83.130. Nonliability on bonds.** (a) Neither the members of the authority nor a person executing the bonds is liable personally on the bonds or is subject to personal liability or accountability by reason of the issuance of the bonds.

(b) The bonds issued by the authority do not constitute an indebtedness or other liability of the state or of a political subdivision of the state, except the authority, but shall be payable solely from the income and receipts or other funds or property of the authority. The authority may not pledge the faith or credit of the state or of a political subdivision of the state, except the authority, to the payment of a bond and the issuance of a bond by the authority does not directly or indirectly or contingently obligate the state or a political subdivision of the state to apply money from, or levy or pledge any form of taxation whatever to the payment of the bond. (§ 1 ch 278 SLA 1976)

- (3) the expected cost of each phase of construction;
- (4) the costs to the state and consumers of the project under alternative methods of project financing, including revenue bonds, general obligation bonds, and general fund appropriations; and
- (5) any other information the authority considers appropriate or necessary to adequately inform the governor and the legislature of the status of the Susitna River hydroelectric project.

(c) The preliminary reports required under (a) and (b) of this section are in addition to any reports required under AS 44.83.180 — 44.83.224. (§ 2 ch 169 SLA 1980)

**Sec. 44.83.325. Restrictions on contracting.** The authority may not enter into contracts under AS 44.83.300 — 44.83.360 other than those contracts necessary to complete (1) feasibility studies, (2) the preliminary reports required by AS 44.83.320, or (3) construction of the Anchorage-Fairbanks intertie, until the legislature approves by law the preliminary report required under AS 44.83.320(b). (§ 2 ch 169 SLA 1980)

**Sec. 44.83.330. Construction, maintenance and operation of project.** Within one year after approval of its preliminary report submitted under AS 44.83.320(b), the authority may enter into a contract for the construction of the Susitna River hydroelectric project in a manner consistent with the purpose of the project as described in AS 44.83.310. (§ 2 ch 169 SLA 1980)

**Sec. 44.83.340. Annual report.** (a) If the Susitna River hydroelectric project is approved by the legislature under AS 44.83.320(d), beginning in 1983 the authority shall prepare an annual report which explains in detail

- (1) the status of construction on the Susitna River hydroelectric project;
- (2) the completion date of any phase of the Susitna River hydroelectric project which has been completed and the reasons for any deviation between the completion date and the expected completion date stated in the preliminary report required under AS 44.83.320(b);
- (3) the actual cost of any phase of the Susitna River hydroelectric project which has been completed and the reasons for any deviation between the actual cost and the expected cost stated in the preliminary report required under AS 44.83.320(b);
- (4) the federal and state permits necessary to begin or continue construction of the Susitna River hydroelectric project, the actual dates on which the federal and state permits necessary to begin or continue construction were obtained, and the reasons for any deviation between the actual dates and the expected dates stated in the preliminary report required under AS 44.83.320(a) or in the earlier annual reports required under this section;

(5) any other information the authority considers appropriate or necessary to adequately inform the governor and the legislature of the status of the Susitna River hydroelectric project.

(b) The annual report required under (a) of this section is in addition to any reports required under AS 44.83.180 — 44.83.224 and shall be submitted, by March 30 of each year, to the governor and to each member of the legislature. (§ 2 ch 169 SLA 1980)

**Sec. 44.83.350. Legislative and executive oversight.** The legislature or the governor may provide for ongoing oversight, review and selected in-depth analysis of the Susitna River hydroelectric project plan of study. The authority shall provide all data, analyses, reports, and other information to whomever conducts the oversight, review, or analysis activities. Selected in-depth analyses shall include assessments of the power alternatives, financing, and power marketing sections of the Susitna River hydroelectric project plan of study. (§ 2 ch 169 SLA 1980)

**Sec. 44.83.360. Project financing.** The Susitna River hydroelectric project shall be financed by general fund appropriations, general obligation bonds, revenue bonds, or other plans of finance as approved by the legislature. (§ 2 ch 169 SLA 1980)

#### Article 7. Susitna River Hydroelectric Project.

##### Sec. 44.83.325. Restrictions on contracting.

**Editor's note.** — Section 21, ch. 133, SLA 1982, provides: "Notwithstanding the provisions of AS 44.83.325, the Alaska Power Authority may enter into contracts under AS 44.83.300 — 44.83.360 for preliminary work without the approval required by AS 44.83.325. In this section, 'preliminary work' means the preparation of plans and studies and the preparation and submission of license applications, as well as other types of work, that must be

completed before actual construction of the Susitna River hydroelectric project, described in AS 44.83.300, may begin. This section does not authorize the Alaska Power Authority to enter into contracts for the actual construction of the Susitna River hydroelectric project or for the preparation of the site of the Susitna River hydroelectric project without the approval required by AS 44.83.325."

SEE FILE  
HB 120  
HSA  
FOR THIS REPORT

POLICY ANALYSIS PAPER 82-14

Potential for Industrial Development  
in the Railbelt Region of Alaska Based  
on the Availability and Cost of  
Electric Power

December 1982

Prepared by: SRI International  
333 Ravenwood Ave  
Menlo Park, CA 94025

H B

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INTRODUCTION OF BILLS (House)(cont'd)

HB 130 (cont'd)

Amends section relating to the disposal of land by lottery (AS 38.05.057) by deletion of language permitting an applicant to be represented by an agent on the day of the lottery if the land offered for sale is commercial, industrial or agricultural. Provides an applicant need not be present to win if military service prevents him from attending the lottery (presently applicant needs not be present if military service "outside the state" prevents presence).

Amends section relating to the leasing of a remote parcel (AS 38.05.077(i)(3)) to require that a person certify that he has not either previously leased a remote parcel "or have made application for a homestead entry on state land" within eight years immediately preceding the date of staking a remote parcel "and certify the facts in the application." (Underlined requirements added.)

Introduced January 26 and referred to Resources and Finance.

Parenthood  
(discrimination based on in sale/rental of real prop.) HOUSE BILL NO. 131, by Rep. Hurlbert. Would prohibit discrimination based on parenthood in the sale or rental of real property. In other words, a landlord could not refuse to rent to a person or couple simply because they had children, and a real estate agent could not refuse to sell property to a person or couple because of children. (Amends AS 18.80.240, "Unlawful Practices in the Sale or Rental of Real Property.")

Deletes: "However, nothing in this paragraph prohibits the sale, lease or rental of classes of real property commonly known as housing for 'singles' or 'married couples' only." Does not provide for an effective date (effective 90 days after the Governor's signature).

Introduced January 28 and referred to Labor & Commerce and Judiciary.

Munic. Sales Tax  
(on food or nonalcoholic beverages) HOUSE BILL NO. 132, by Reps. Vaska and Koponen. Would prohibit municipalities from levying and collecting a sales tax on food or nonalcoholic beverages. Would apply to home rule and general law municipalities. (Amends AS 29.53.415, "Sales & Use Tax.") Effective January 1, 1984.

Introduced January 28 and referred to Labor & Commerce and Community & Regional Affairs.

Public Emp. Retirement  
(credited svc. for former federal workers) HOUSE BILL NO. 133, by Rep. Martin by request. Would allow members of PERS to claim credited service for service rendered before January 1, 1961 as "a temporary or permanent" employee of the federal government in Alaska, excluding service in the U.S. armed forces (underlined words added to AS 39.35-360(a), "Earlier Service"). Employee must have been employed by the state before January 1, 1980 and must have completed three years of credited service with the state after January 1, 1961, for which employee has made the required contributions (no change from existing law).

INTRODUCTION OF BILLS (House)(cont'd)

HB 133 (cont'd)

If the bill passes, state employees who have already retired would be eligible to receive increased benefits based on prior federal service. Effective immediately.

Introduced January 28 and referred to State Affairs and Finance.

Appropriation HOUSE BILL NO. 134, by Reps. Duncan and M.M. Miller.  
(Snettisham Power Project) Would repeal a \$4.5 million appropriation made in 1981 for the Snettisham power project near Juneau and reappropriate the money to the Alaska Power Authority for "feasibility studies, preconstruction design, engineering, and construction at the Snettisham (Crater Lakes) power project." The 1981 appropriation, continued in Ch. 90, SLA 1981, Sec. 6(7), was part of a \$37,300,000 allocation to the Power Authority for "feasibility studies, preconstruction design, and engineering" for various projects around the state (specifically did not include "construction").

Appropriation is for capital project and is subject to AS 37.25.020 (it does not lapse). Effective immediately.

Introduced January 28 and referred to Resources and Finance.

Court Leave HOUSE BILL NO. 135, by the Rules Committee by request of the  
for Nonperm. Legislative Council (for the Blue Ribbon Commission on the  
& Temporary State Personnel Act). Identical to SB 83, page 81.  
Employees

Appropriation HOUSE BILL NO. 136, by Rep. Larson. Would appropriate  
(Municipal \$25.1 million to the Dept. of Revenue for the Municipal  
Assistance Assistance Fund (AS 43.20.016(a)) for distribution to municipi-  
Fund) palities for fiscal year ending June 30, 1983. Lapses on  
June 30, 1983. Effective immediately. Identical to SB 17, page 5.

Introduced January 28 and referred to Community & Regional Affairs and Finance.

Appropriation HOUSE BILL NO. 137, by Reps. Larson, David, Duncan, Fritz,  
(supplemental) Furnace, Koponen, Malone, M.M. Miller, M.W. Miller, Szymanski  
(school con- and Zharoff. Would make a \$13.1 million supplemental appro-  
struction priation to the Dept. of Education for the retirement of school  
debts) construction debts in accordance with AS 43.18.100 for fiscal  
year 1983. Effective immediately.

Introduced January 28 and referred to Health, Education & Social Services and Finance.

Appropriation HOUSE BILL NO. 138, by Rep. Larson. Would make a \$3.5  
(supplemental) million appropriation to the Dept. of Community & Regional  
(state aid for Affairs for distribution to municipalities for roads under  
roads) AS 29.89.020 (state aid for roads) for the fiscal year ending  
June 30, 1983. Appropriation lapses on June 30, 1983. Effective  
immediately.

Introduced January 28 and referred to Community & Regional Affairs

Alaska State Legislature

REPRESENTATIVE

**TERRY MARTIN**

DISTRICT 8

CHAIRMAN—LABOR AND COMMERCE COMMITTEE  
PHONE 465-3873



3960 NEKA DRIVE—86  
ANCHORAGE, AK 99504  
PHONE 333-6990

DURING LEGISLATURE  
POUCH V  
STATE CAPITOL  
JUNEAU, AK 99811  
PHONE 465-3784

January 27, 1983

Mr. Eugene Horning  
3100 Glenndon Drive  
Anchorage, Alaska 99504

Dear Eugene:

Enclosed is a copy of my bill relating to credit for earlier service for certain members of the public employees' retirement system.

I expect the bill to be given a number and introduced in the House today.

I appreciate you calling this matter to my attention.

Sincerely,

A handwritten signature in cursive script that reads "Terry".

Terry Martin  
Representative

TM/ta

*P.S. The bill number is HB 133.*

January 7, 1983

Representative Terry Martin  
Pouch V  
Juneau, Alaska 99811

Dear Representative Martin,

I am writing in regard to Senate Bill 589 relating to credit for earlier service for certain members of the public employees' retirement system.

As you can see from the attached letters, I have attempted to clarify the exact meaning of the wording in AS 39.35.360(A).

Even after the meeting with the Retirement Board I still feel that the wording in 39.35.360 is misleading and needs to be changed.

Therefore I am submitting this letter with attachments in support of Senate Bill 589 and for your use in securing passage of the bill.

P.

*Sen. Vic Fischer*

*Fischer had this Bill last year in Senat. St. Affairs Comm.*

Respectfully yours,

*Eugene A. Horning*

Eugene A. Horning  
3100 Glenndon Drive - Dist. 13  
Anchorage, Alaska 99504

EAH/bp  
Attachments  
cc: Vic Fischer  
Jerry Ward  
Joe Josephson

*~~This Bill~~ We can introduce a new bill in House next for Rep. Board's Comm.*

H-337-1427  
W-269-5792

December 11, 1981

Seante Distric C  
Bill Ray  
Pouch J  
Juneau, Ak. 99811

Dear Senator Ray:

I am currently employed with the State of Alaska, Department of Public Safety in Anchorage.

I have filed a claim with the Public Employees Retirement System for EARLIER SERVICE CREDIT as an employee of the Federal Government before January 1, 1961 as per AS 39.35.360 (A). (See enclosed copy.)

The Division of Retirement would only grant me credit for permanent time and not for temporary time. (See enclosed letter.)

There is no mention of permanent or temporary in AS 39.35.360 (A).

I requested and was granted an appearance before the Public Employee's Retirement Board at its scheduled meeting in October.

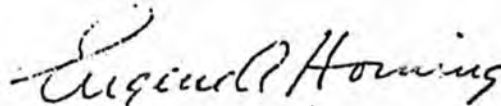
At this meeting Mr. Paul Arnoldt, Director of the Division of Retirement and Benefits, stated that temporary service was not creditable under the PERS law with the exception of AS39.35.156 "Temporary Service Credit".

Therefore in AS 39.35.360 "Earlier Service Credit" permanent Federal Service is implied and did not need to be explicitly stated.

Was this also your understanding when you sponsored Senat Bill #26 in 1979 in which AS 39.35.360 was rewritten?

I would like to hear from you on this matter.

Respectfully yours,



Eugene A. Horning  
8620 Boundary #1  
Anchorage, Al. 99504  
Phone - 337-1427 (home)  
269-5792 (work)



# Alaska State Legislature

## Senate

### Committee on Transportation

Senator Bill Ray  
Chairman

Official Business  
Pouch V  
State Capitol  
Juneau, Alaska 99811

December 18, 1981

Eugene A. Horning  
8620 Boundary #3  
Anchorage, Alaska 99504

Dear Mr. Horning:

Thank you for your letter of December 11 concerning earlier service retirement credit.

I have referred your inquiry to Teresa Cramer, my Administrative Assistant for the Blue Ribbon Commission. She will investigate the matter and report to you her findings.

Sincerely,

A handwritten signature in cursive script that reads "Bill Ray".

Bill Ray  
Senator  
District C

cc: Teresa Cramer



JUNEAU, ALASKA

# Alaska State Legislature

BLUE RIBBON COMMISSION ON THE  
STATE PERSONNEL ACT

Senator Bill Ray, Chairman

Pouch YG  
Mail Stop 3123  
Juneau, Alaska 99811  
(907) 465-4442

January 11, 1982

Eugene A. Horning  
8620 Boundary #3  
Anchorage, Alaska 99504

Dear Mr. Horning:

Senator Ray asked that I reply to your letter about retirement credit for temporary employment with the federal government prior to statehood. The answers which you received from Mr. Motter and from Ms. Woolford of the Division of Retirement and Benefits are consistent with the present state of the retirement laws. The problem of interpreting what counts as "service" in the retirement system comes in part from the definition sections which do limit membership in the system to employees who are "receiving compensation for seasonal, permanent full-time or permanent part-time services" in most cases. AS 39.35.680(1) defining "active member".

Last legislative session, Senator Ray sponsored legislation which directly addresses your situation. I am enclosing a copy of SB 589 which amends the section on credit for earlier service to provide that both temporary and permanent employment with the United States government in Alaska prior to statehood will count as credited service. This bill is presently in the Senate State Affairs Committee, which Senator Vic Fischer chairs. If you wish to support the legislation, you may write directly to the committee at Pouch V, Juneau, Alaska 99811. If there are hearings scheduled on the bill, I will let the committee know of your support for the proposed amendment during any testimony I give on behalf of the Blue Ribbon Commission.

Yours very truly,

Teresa B. Cramer  
Administrative Assistant

TBC:lmk  
Enclosure

# Alaska State Legislature

SENATOR  
ARLISS STURGULEWSKI

COMMITTEES  
CHAIRMAN  
Legislative Budget & Audit  
Community & Regional Affairs  
Finance  
Resources



Senate

2957 SHELDON JACKSON  
ANCHORAGE, ALASKA 99504  
DISTRICT 10-H

While in Juneau  
POUCH V  
JUNEAU, ALASKA 99811  
(907) 465-3818

05 April 1982

Eugene Horning  
8620 Boundary #3  
Anchorage, Alaska 99504

Dear Mr. Horning:

As I am sure you are aware, Senate Bill 589, relating to credit for earlier service for certain members of the public employees' retirement system is currently in the Senate State Affairs Committee, chaired by Senator Vic Fischer. I have contacted Senator Fischer's office about Senate Bill 589 and have been informed that this bill is not currently scheduled for hearing and it is not anticipated that it will be scheduled during this session.

I am sending along to Senator Fischer's office a copy of the packet of material you sent to me. I am sorry to say that it does not seem likely that this bill will come before me this year, but you may be assured that if it should, I will give it my most careful and positive consideration.

Sincerely,

A handwritten signature in cursive script that reads "Arliss Sturgulewski".

Arliss Sturgulewski  
Senator, District 10-H

cc: Senator Vic Fischer

# Alaska State Legislature

REPRESENTATIVE  
CHARLES ANDERSON  
DISTRICT 10



1841 E. 24TH AVENUE  
ANCHORAGE, ALASKA 99504  
277-3906

WHILE IN JUNEAU  
POUCH V  
JUNEAU, ALASKA 99811  
465-4943

## House of Representatives

April 8, 1982

Eugene A. Horning  
5419 East 42nd Avenue  
No. 22  
Anchorage, Alaska 99504

Dear Eugene,

Thank you for your recent letter regarding SB 589, "An Act relating to credit for earlier service for certain members of the public employees retirement system; and providing for an effective date." I appreciate hearing from you on this matter.

As you know, this legislation was introduced by Senator Ray of Juneau and has been referred to the Senate State Affairs Committee. I realize that while this may be a relatively minor change in the law on retirement, it can be an important one for individuals like yourself. Accordingly, I am in support of this bill and have written to the Senate State Affairs Committee Chairman (copy enclosed) to urge that they act on this matter.

While it is relatively late in the legislative session, I believe that a hearing on this bill will considerably enhance the possibility of it being approved by the legislature.

Again, thank you for contacting me on this issue and please feel free to communicate with me further on this or any other matters of mutual interest.

Sincerely,

A handwritten signature in cursive script that reads "Charles Anderson".

Charles G. Anderson  
House of Representatives

CGA:mac

Enclosure

# Alaska State Legislature



REPRESENTATIVE  
CHARLES ANDERSON  
DISTRICT 10

1841 E. 24TH AVENUE  
ANCHORAGE, ALASKA 99504  
277-3906

WHILE IN JUNEAU  
POUCH V  
JUNEAU, ALASKA 99811  
465-4943

## House of Representatives

April 8, 1982

The Honorable Vic Fischer  
Chairman  
Committee on State Affairs  
Alaska State Senate  
Pouch V  
Juneau, Alaska 99811

Dear Senator Fischer:

I am writing to urge that the Senate State Affairs Committee conduct a hearing on SB 589, "An Act relating to credit for earlier service for certain members of the public employees retirement system; and providing for an effective date."

This legislation would permit credit under the Public Employees Retirement System of temporary or permanent employment with the United States government prior to statehood.

While this change in the law is likely to affect only a small number of individuals, it could be an important one for those people. I believe that the issue deserves a fair hearing so that all aspects of the problem can be discussed.

Thank you for your attention on this matter.

Sincerely,

*Charles Anderson*

Charles G. Anderson  
House of Representatives

CGA:mac

# STATE OF ALASKA

## DEPARTMENT OF ADMINISTRATION

DIVISION OF RETIREMENT & BENEFITS

JAY S. HAMMOND, Governor

POUCH CR  
JUNEAU, ALASKA 99811

Ph: 465-4463

May 14, 1981

Mr. Eugene A. Horning  
5419 East 42nd Avenue, #22  
Anchorage, AK 99504

PERS: 274-30-2593

Dear Mr. Horning:

This letter is in response to your note to Ms. Nancy Woolford, April 27, 1981.

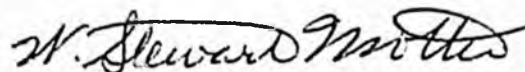
I have talked to Nancy regarding your question and have looked over the documentation that you have submitted. I am terribly sorry, but the answer that Ms. Woolford gave you is the correct answer. Your temporary federal service is not creditable.

Enclosed is a copy of Section 39.35.156, Temporary Service Credit. You will note that temporary service is creditable for service regularly rendered a full-time personnel basis to an employer. Since the United States Government was never an employer under PERS, I cannot recognize your temporary service with them.

In Section 39.35.360, earlier service that you cited, there is no reference to temporary service other than that that is found in part G of that section. The reference there is specific to temporary employees of the legislature of the State or territory during legislative sessions.

In view of the above, the answer is we cannot recognize temporary federal service.

Sincerely,



W. Stewart Motter  
Retirement Field Representative

WSM/rw  
Enclosure

August 23, 1981

Steve Hafling  
Chairman  
State of Alaska  
Public Employees' Retirement Board  
430 W 7th Ave.  
Anchorage, Alaska 99501

Dear Mr. Hafling:

We request an appearance before the board at its next scheduled meeting in Anchorage during the month of October 1981.

We wish to discuss an apparent discrepancy in the granting of credit for temporary Federal service.

We will be asking the following questions:

1. RE: CHAPTER 146, SLA 1980  
AS 39.35.156 TEMPORARY SERVICE CREDIT.

HOW CAN THIS PARAGRAPH APPLY TO FEDERAL SERVICE WHEN THE WORDS "FEDERAL SERVICE" DO NOT APPEAR IN THE PARAGRAPH?

2. RE: CHAPTER 146, SLA 1980  
AS 39.35.360 EARLIER SERVICE CREDIT.

HOW CAN THIS PARAGRAPH BE INTERPRETED TO READ PERMANENT FEDERAL SERVICE ONLY WHEN THE WORDS "PERMANENT OR "TEMPORARY" DO NOT APPEAR IN THE PARAGRAPH?

3. HOW CAN THE STATE LOSE A COURT SUIT GIVING CREDIT FOR TEMPORARY FEDERAL SERVICE AND STILL CLAIM THAT TEMPORARY FEDERAL SERVICE IS NOT CREDITABLE?

Respectfully yours,

*Eugene A. Horning*  
Eugene A. Horning  
Systems Analyst  
Department of Public Safety

*Charlene Stewart*  
Charlene Stewart  
EDP Supervisor  
Department of Administration

EAH:nct

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H B

1 3 5

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JUNEAU, ALASKA

# Alaska State Legislature

BLUE RIBBON COMMISSION ON THE  
STATE PERSONNEL ACT

Senator Bill Ray, Chairman

Pouch YG  
Mail Stop 3123  
Juneau, Alaska 99811  
(907) 465-4442

## MEMORANDUM

February 3, 1983

TO: Members of the House State Affairs Committee

FROM: Teresa B. Cramer *Teresa B. Cramer*  
Administrative Assistant

SUBJECT: House Bill 135 - Granting Court Leave to Nonpermanent Employees

The Blue Ribbon Commission received a request that it consider whether nonpermanent employees should receive court leave benefits. The person who called was working as a nonpermanent employee on a project which was expected to last for nine months. She was summoned to serve on a jury for a criminal trial. The proceedings lasted two weeks.

Nonpermanent employees are short-term classified service employees. By statute their period of service is limited to 120 calendar days or to the duration of a program or project. Short-term employees in the partially exempt and exempt services are called temporary employees. Nonpermanent employees must be hired based on their relative ability from the lists of eligibles maintained by the Division of Personnel for that job class. They are paid according to the pay rate assigned to that job class. They are not eligible for state leave, health or retirement benefits.

Most state employees continue to receive their regular salaries while serving on juries or when they are subpoenaed to serve as a witness in a court proceeding. The employee gives the state his or her jury service fee (currently \$25 a day) or witness fee. Nonpermanent and temporary employees are not entitled to this benefit. They must take leave without pay since they do not earn annual, sick or personal leave, and their only compensation is the jury service or witness fee provided by the court.

Jury service is a civic duty. All state employees should be treated equally while meeting this obligation. The Blue Ribbon Commission strongly recommends that nonpermanent and temporary employees be entitled to the same court leave benefits as other state employees.

Bill Analysis

Paragraph (7) of AS 39.20.310 denies temporary employees the leave benefits granted to other state employees. The proposed legislation amends the court leave statute to nullify the general exclusion. Temporary and nonpermanent employees would therefore be eligible to receive the court leave benefits provided other state employees.

STATE OF ALASKA  
PRELIMINARY STATEMENT OF FISCAL IMPACT

Bill No: HB 135 (SB 83) Date on Bill: January 28, 1983  
 Title: An Act relating to court leave for nonpermanent and temporary employees.  
 Sponsor: Rules - Legislative Council (for the Blue Ribbon Commission)  
 Requestor: House State Affairs

1. Estimated fiscal impacts on:

a. Expenditures:

(Thousands of Dollars)

			FY 83	FY 84	FY 85	FY 86	
Capital							
Operating							
Total			-0-	-0-	-0-	-0-	

b. Revenues:

Revenue							

2. Source of funds to offset fiscal impact of bill:

3. Assumptions:

4. Disclaimer:

This statement has not been reviewed by the OMB in the Office of the Governor

Prepared By: Frank Raye *Frank Raye* Phone: 465-4430  
 Division: Personnel Date: \_\_\_\_\_

Approved by Commissioner: Lisa Rudd *Lisa Rudd* Date: 3/10/83  
 Department: Administration

5. Distribution:

- Original to Legislative Finance
- Copy to OMB
- Copy to Sponsor
- Copy to Requestor

2/8/83

HB

151

Tamara Brandt Cook

PROPOSED AMENDMENT NO. 2 TO HB 6

Explanation: This change would correct a drafting mistake in HB 6. AS 28.35.033(j) added by Section 13 of the bill includes penalties for a person who has been previously convicted of one offense and for a person previously convicted of more than one offense, but omits the penalty for a person who has not been previously convicted. AS 28.35.034 provides for a three month period of revocation. However, that provision has been deleted in section 14 of this bill. Therefore, it is necessary to include the penalty for a first conviction in the subsection that sets out penalties for persons who have been previously convicted.

Page 11, line 25 after (j) insert a new first sentence to read:

"If the person has not been previously convicted in this or another jurisdiction of driving while intoxicated or of refusal to submit to a chemical test of breath under this or another law or ordinance with substantially similar elements, the period of suspension or revocation of license, nonresident privilege to drive, or denial of original license shall be 90 days."

Tamara Brandt Cook

PROPOSED AMENDMENT NO. 1 TO HB 6

Explanation: This change would make it clear that the penalties for driving without a license or in violation of a limitation placed on a license apply whether or not a person is driving under a driving privilege granted in this or another jurisdiction. While the existing provision applies when a person is licensed out of this state, it does not specifically apply to a person originally licensed in Alaska. This change would correct a defect in existing law that was not created by HB 6.

Page 3, lines 16 - 23; change the first sentence of AS 28.15.291 to read:

"A [NO] person may not drive a motor vehicle on a highway or vehicular way or area [IN THIS STATE] at a time when that person's [HIS] driver's license, or privilege to drive [IN THIS STATE IF HE IS LICENSED IN ANOTHER JURISDICTION,] has been canceled, suspended or revoked in this or another jurisdiction, or when [HE IS] driving in violation of a limitation placed upon that person's [HIS] license or privilege to drive in this or [, EVEN WHEN HE IS DRIVING UNDER A LICENSE ISSUED IN] another jurisdiction."

I. REQUEST

Bill/Resolution No. H.B. 151

Title Special Appropriation: House of Wickersham

Requested by State Affairs

Date 2/3/83

II. FISCAL DETAIL

Agency Affected Natural Resources - Parks

Program Category Affected Parks & Recreation

BRU, Program, Or Subprogram(s) Affected Park Operations

(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.						
<b>TOTAL</b>		1032.8 <sup>(a)</sup>	50.5	59.9		

FUNDING (Thousands of Dollars)

GENERAL FUND		1032.8	50.5	59.9		
FEDERAL FUNDS						
OTHER (Specify Source)						

POSITIONS

FULL TIME						
PART TIME						
TEMPORARY						

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

<sup>(a)</sup> Includes \$1.0 million capital appropriations

IV. DATE

2/7/83

PREPARED BY

Walter Wolfe

AGENCY Natural Resources

Original: Legislative Finance

PHONE 465-2400

cc: Budget and Management

Prime Sponsor (First Legislator Named)

33-001 (Rev. 12/81)

OMB Reviewed By: Glen Price *GP*

February 24, 1983

PLEASE NOTE:

The back-up report to HB 151, titled "Wickersham House Report", by the Wickersham House Task Force, March 82, approx. 300 pages,

was requested by House Finance for their hearings on HB 151 on Friday at 1:30 pm February 25, 1983. Since all of the extra committee reports were gone, we took the HSA Committee members individual copies.

Committee staff

HB

161

# STATE OF ALASKA

## DEPARTMENT OF REVENUE

OFFICE OF THE COMMISSIONER

BILL SHEFFIELD, GOVERNOR

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

March 7<sup>th</sup>, 1983

The Honorable Mitchell E. Abood  
Chairman, House State Affairs Committee  
Alaska State Legislature  
Pouch Y  
Juneau, AK 99811

Re: HB 161

Dear Mr. Chairman:

Enclosed you will find the Department of Revenue's response to questions asked at the February 28, 1983 meeting of the House State Affairs Committee pertaining to HB 161. I hope this information is what you seek. If you would like any further information, please let me know.

Sincerely,



Robert D. Heath  
Commissioner of Revenue

RDH:m11  
Enclosure

POSITION PAPER ON HOUSE BILL 161

"An act establishing a defeasance fund in the Department of Revenue for the purpose of retiring State general obligation debt; transferring a portion of the income of the Alaska Permanent Fund to the defeasance fund and providing for an effective date."

This paper will explain certain aspects of a defeasance fund, highlight the issues surrounding its creation and present the position of the Department of Revenue.

A defeasance fund is a trust account which would be set up with an independent third party trustee such as a national bank. This account would be used to purchase a portfolio of securities whose maturities and cash flow income would correspond to the principal and interest payments of the G.O. bonds which are being defeased. Once the fund is established, the debt service on these bonds would not need to be appropriated from the General Fund.<sup>1</sup> A schedule of the yearly debt service on the pre-1978 bonds is attached. The reason the total appropriation is lower than the balance due on the G.O. bonds is because of the difference in interest rates which can presently be earned and the coupon rates of the bonds.

The bill refers to G.O. debt issued before May 2, 1978. The reason is that in 1978 the Internal Revenue Service issued a ruling limiting the amount of interest which can be earned on defeasance funds to the rate paid on the bonds. Thus, defeasance on bonds issued after 1978 offer little financial benefit.

In regard to the bill itself, the Department of Revenue sees possible legal problems. HB 161 is a temporary bill in that it attempts to take the earnings of the Permanent Fund for one year to create the defeasance fund. No attempt is made to repeal the current law governing the use of Permanent Fund income.

---

<sup>1</sup> Debt service is now an automatic appropriation (AS 37.15.012 by § 1 Ch. 100, SLA 1981).

The question must be addressed by law as to whether a temporary bill can override substantive law.

Another legal question deals with interest earned on the defeasance fund. The interest would go back into the fund by nature of the defeasance which could be viewed as a dedication of funds. Alaska's constitution prohibits dedication of funds. (Alaska Constitution Article IX, Section 7)

In analyzing the financial feasibility of the bill, the rate of interest paid on the G.O. bonds (see schedule attached) and the current rate of interest on investments must be compared. A majority of the bonds are below 6% interest and today's market will pay 8 1/2% to 10% interest depending on the type of security. Thus, there is little financial reason to pay off this low interest debt sooner than the current schedule specifies.

Also, to create this defeasance fund will restrict future legislative sessions' funding because once the fund is established, these monies are no longer available for appropriation.

Another problem connected with showing a surplus of funds is our national image. We are concerned that people in the "lower 48" may feel Alaska is not sharing its wealth with the nation. (Per letter dated February 3, 1983 to Representative Abood on this subject.)

The last point we wish to make concerns the status of future bonding issues. If the State of Alaska has the surplus funds to set up a defeasance fund, the IRS may view any future bond issues (at least for 18 months) as arbitrage bonds and declare them taxable. This would increase the interest rate considerably and could cost the State more money in interest payments.

For the reasons stated herein and in view of the Governor's policy concerning the use of Permanent Fund income, the Department of Revenue opposes HB 161. Our recommendation would be to continue paying the bonds on their established schedule.

Attachment

OUTSTANDING BALANCE ON PRE-MAY, 1978 G.O. BONDS  
JUNE 30, 1983

<u>Bond Title</u>	<u>Rate of Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Univ. of Ak. Housing Bonds, 1958, Series A	3.00%	\$ 310,000	\$ 28,350	\$ 338,350
Ferries & Roads Bonds, 1961, Series A	3.82	6,130,000	1,115,870	7,245,870
"Composite 1/8/64 Sale", Series L	3.56	565,000	20,340	585,340
1964, Series B (1967 Issue)	3.75	7,277,000	1,741,932	9,018,932
1964, Series C (1967 Issue)	3.75	1,156,000	630,152	1,786,152
1967, First Series	4.50	9,190,000	2,316,125	11,506,125
1967, Second Series	4.90	8,550,000	2,222,270	10,772,270
1968, Series A	5.19	5,375,000	861,475	6,236,475
1968, Series B	5.24	4,250,000	672,657	4,922,657
1969, Series A	5.74	3,575,000	748,175	4,323,175
1969, Series D (1966 Univ. of Ak.)	3.00	1,380,000	380,100	1,760,100
1970, Series C	5.88	3,100,000	280,535	3,380,535
1971, Series A	5.07	10,285,000	2,924,680	13,209,680
1971, Series B	6.04	14,520,000	7,478,400	21,998,400
1971, Series C	6.04	2,950,000	1,509,000	4,459,000
1971, Series D	6.00	850,000	411,000	1,261,000
1972, Series A	5.24	15,800,000	5,958,000	21,758,000
1972, Series B	5.16	19,600,000	7,979,525	27,579,525
1973, Series A	5.12	15,000,000	5,890,500	20,890,500
1973, Series B	5.11	18,500,000	7,696,500	26,196,500
1973, Series C	5.80	26,500,000	13,319,375	39,819,375
1974, Series A	6.86	26,100,000	15,078,000	41,178,000
1975, Series A	5.99	33,200,000	16,552,100	49,752,100
1975, Series B	6.53	37,000,000	20,191,750	57,191,750
1975, Series C	6.86	32,250,000	16,298,075	48,548,075
1976, Series A	5.87	25,000,000	7,733,750	32,733,750
1976, Series B	5.80	25,000,000	7,672,500	32,672,500
1977, Series A	5.08	27,500,000	8,406,250	35,906,250
1977, Series B	4.51	24,000,000	3,283,000	27,283,000
1978, Series A (4/1/78)	4.87%	25,000,000	3,650,000	28,650,000
		<u>\$429,913,000</u>	<u>\$163,050,386</u>	<u>\$592,963,386</u>

163,050,386

66,857,614

214.

DEBT SERVICE ON OUTSTANDING G.O. BONDS BY YEAR

<u>Years Ended</u> <u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Debt Service</u> <u>on pre 5/78</u> <u>Bonds</u>
1984	\$100,175,000	\$63,240,329	\$163,415,329	\$60,539,165
1985	100,060,000	56,149,274	156,209,274	58,370,860
1986	101,465,000	49,119,762	150,584,762	57,707,763
1987	100,580,000	42,225,846	142,809,846	54,769,221
1988	100,885,000	35,449,255	136,334,255	53,044,505
1989	95,927,000	28,547,971	124,474,971	46,006,721
1990	87,760,000	22,063,090	109,823,090	40,131,590
1991	69,699,000	15,870,180	85,569,180	38,947,430
1992	48,349,000	10,523,425	58,872,425	38,152,425
1993	43,563,000	7,396,987	50,959,987	31,719,987
1994	20,598,000	5,219,975	25,817,975	25,817,975
1995	19,096,000	3,987,625	23,083,625	23,083,625
1996	18,610,000	2,864,412	21,474,412	21,474,412
1997	14,865,000	1,800,418	16,665,418	16,665,419
1998	13,380,000	1,008,193	14,388,193	14,388,194
1999	8,640,000	368,931	9,008,931	9,008,931
2000	2,531,000	69,081	2,600,081	2,600,081
June 30, 1983	<u>\$946,183,000</u>	<u>\$345,908,754</u>	<u>\$1,292,091,754</u>	<u>\$592,428,304</u>

STATE OF ALASKA  
PRELIMINARY STATEMENT OF FISCAL IMPACT

RECEIVED  
FEB 21 1983

Bill No: HB 161 Date on Bill: 2/4/83  
 Title: "An act establishing a defeasance fund in the Dept. of Rev.  
 Sponsor: Ward & Liska  
 Requestor: House State Affairs Committee

1. Estimated fiscal impacts on:

a. Expenditures:

(Thousands of Dollars)

	FY 83	FY 84	FY 85	FY 86
Capital		From P.F.		
Operating	\$100,000	-363.0 mill.	-14.5 mill.	
Total	\$100,000	To Def. Fund		
		+363.0 mill.	+14.5 mill.	

b. Revenues:

Revenue				

2. Source of funds to offset fiscal impact of bill:

Permanent Fund Earnings

COPY

3. Assumptions:

The \$100,000 is for Financial Advising and legal fees related to establishment of the fund. The \$377,000,000 is a transfer of monies from the Permanent Fund earnings account to the Defeasance Fund. This transfer is made over two fiscal years. Once the Fund has been established, the G.O. bond debt of \$654,000,000 before May of 1978 can be deducted from the State's books. The Defeasance Fund would reduce the appropriation to the State debt service by \$60,539,000 in FY 84, \$58,371,000 in FY 85, and 57,708,000 in FY 86.

Creation of this Fund would eliminate the Permanent Fund dividend, inflation proofing, and undistributed accounts for FY 83.

4. Disclaimer:

This statement has not been reviewed by the OMB in the Office of the Governor. It therefore does not represent the final estimate of fiscal impact.

Prepared By: \_\_\_\_\_ Phone: \_\_\_\_\_  
 Division: \_\_\_\_\_ Date: \_\_\_\_\_

Approved by Commissioner: Joseph K. Donohue Robert Heath Date: 2/20/83  
 Department: Revenues

5. Distribution:

- Original to Legislative Finance
- Copy to OMB
- Copy to Sponsor
- Copy to Requestor

2/15/83

What Percentage of Interest  
are we Paying on these  
Bonds?

What Percentage of Interest  
are we Presently earning  
with our P. F. Investments?

$11\frac{1}{2}\%$

# STATE OF ALASKA

BILL SHEFFIELD, GOVERNOR

## DEPARTMENT OF REVENUE

OFFICE OF THE COMMISSIONER

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

March 7, 1983

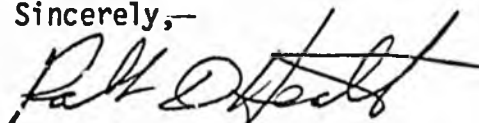
The Honorable Mitchell E. Abood  
Chairman, House State Affairs Committee  
Alaska State Legislature  
Pouch V  
Juneau, AK 99811

Re: HB 161

Dear Mr. Chairman:

Enclosed you will find the Department of Revenue's response to questions asked at the February 28, 1983 meeting of the House State Affairs Committee pertaining to HB 161. I hope this information is what you seek. If you would like any further information, please let me know.

Sincerely,—



Robert D. Heath  
Commissioner of Revenue

RDH:m11  
Enclosure

POSITION PAPER ON HOUSE BILL 161

"An act establishing a defeasance fund in the Department of Revenue for the purpose of retiring State general obligation debt; transferring a portion of the income of the Alaska Permanent Fund to the defeasance fund and providing for an effective date."

This paper will explain certain aspects of a defeasance fund, highlight the issues surrounding its creation and present the position of the Department of Revenue.

A defeasance fund is a trust account which would be set up with an independent third party trustee such as a national bank. This account would be used to purchase a portfolio of securities whose maturities and cash flow income would correspond to the principal and interest payments of the G.O. bonds which are being defeased. Once the fund is established, the debt service on these bonds would not need to be appropriated from the General Fund.<sup>1</sup> A schedule of the yearly debt service on the pre-1978 bonds is attached. The reason the total appropriation is lower than the balance due on the G.O. bonds is because of the difference in interest rates which can presently be earned and the coupon rates of the bonds.

The bill refers to G.O. debt issued before May 2, 1978. The reason is that in 1978 the Internal Revenue Service issued a ruling limiting the amount of interest which can be earned on defeasance funds to the rate paid on the bonds. Thus, defeasance on bonds issued after 1978 offer little financial benefit.

In regard to the bill itself, the Department of Revenue sees possible legal problems. HB 161 is a temporary bill in that it attempts to take the earnings of the Permanent Fund for one year to create the defeasance fund. No attempt is made to repeal the current law governing the use of Permanent Fund income.

<sup>1</sup> Debt service is now an automatic appropriation (AS 37.15.012 by § 1 Ch. 100, SLA 1981).

The question must be addressed by law as to whether a temporary bill can override substantive law.

Another legal question deals with interest earned on the defeasance fund. The interest would go back into the fund by nature of the defeasance which could be viewed as a dedication of funds. Alaska's constitution prohibits dedication of funds. (Alaska Constitution Article IX, Section 7)

In analyzing the financial feasibility of the bill, the rate of interest paid on the G.O. bonds (see schedule attached) and the current rate of interest on investments must be compared. A majority of the bonds are below 6% interest and today's market will pay 8 1/2% to 10% interest depending on the type of security. Thus, there is little financial reason to pay off this low interest debt sooner than the current schedule specifies.

Also, to create this defeasance fund will restrict future legislative sessions' funding because once the fund is established, these monies are no longer available for appropriation.

Another problem connected with showing a surplus of funds is our national image. We are concerned that people in the "lower 48" may feel Alaska is not sharing its wealth with the nation. (Per letter dated February 3, 1983 to Representative Abood on this subject.)

The last point we wish to make concerns the status of future bonding issues. If the State of Alaska has the surplus funds to set up a defeasance fund, the IRS may view any future bond issues (at least for 18 months) as arbitrage bonds and declare them taxable. This would increase the interest rate considerably and could cost the State more money in interest payments.

For the reasons stated herein and in view of the Governor's policy concerning the use of Permanent Fund income, the Department of Revenue opposes HB 161. Our recommendation would be to continue paying the bonds on their established schedule.

Attachment

OUTSTANDING BALANCE ON PRE-MAY, 1978 G.O. BONDS  
JUNE 30, 1983

<u>Bond Title</u>	<u>Rate of Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Univ. of Ak. Housing Bonds, 1958, Series A	3.00%	\$ 310,000	\$ 28,350	\$ 338,350
Ferries & Roads Bonds, 1961, Series A	3.82	6,130,000	1,115,870	7,245,870
"Composite 1/8/64 Sale", Series L	3.56	565,000	20,340	585,340
1964, Series B (1967 Issue)	3.75	7,277,000	1,741,932	9,018,932
1964, Series C (1967 Issue)	3.75	1,156,000	630,152	1,786,152
1967, First Series	4.50	9,190,000	2,316,125	11,506,125
1967, Second Series	4.90	8,550,000	2,222,270	10,772,270
1968, Series A	5.19	5,375,000	861,475	6,236,475
1968, Series B	5.24	4,250,000	672,657	4,922,657
1969, Series A	5.74	3,575,000	748,175	4,323,175
1969, Series D (1966 Univ. of Ak.)	3.00	1,380,000	380,100	1,760,100
1970, Series C	5.88	3,100,000	280,535	3,380,535
1971, Series A	5.07	10,285,000	2,924,680	13,209,680
1971, Series B	6.04	14,520,000	7,478,400	21,998,400
1971, Series C	6.04	2,950,000	1,509,000	4,459,000
1971, Series D	6.00	850,000	411,000	1,261,000
1972, Series A	5.24	15,800,000	5,958,000	21,758,000
1972, Series B	5.16	19,600,000	7,979,525	27,579,525
1973, Series A	5.12	15,000,000	5,890,500	20,890,500
1973, Series B	5.11	18,500,000	7,696,500	26,196,500
1973, Series C	5.80	26,500,000	13,319,375	39,819,375
1974, Series A	6.86	26,100,000	15,078,000	41,178,000
1975, Series A	5.99	33,200,000	16,552,100	49,752,100
1975, Series B	6.53	37,000,000	20,191,750	57,191,750
1975, Series C	6.86	32,250,000	16,298,075	48,548,075
1976, Series A	5.87	25,000,000	7,733,750	32,733,750
1976, Series B	5.80	25,000,000	7,672,500	32,672,500
1977, Series A	5.08	27,500,000	8,406,250	35,906,250
1977, Series B	4.51	24,000,000	3,283,000	27,283,000
1978, Series A (4/1/78)	4.87%	25,000,000	3,650,000	28,650,000
		<u>\$429,913,000</u>	<u>\$163,050,386</u>	<u>\$592,963,386</u>

DEBT SERVICE ON OUTSTANDING G.O. BONDS BY YEAR

<u>Years Ended</u> <u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Debt Service</u> <u>on pre 5/78</u> <u>Bonds</u>
1984	\$100,175,000	\$63,240,329	\$163,415,329	\$60,539,165
1985	100,060,000	56,149,274	156,209,274	58,370,860
1986	101,465,000	49,119,762	150,584,762	57,707,763
1987	100,580,000	42,229,846	142,809,846	54,769,221
1988	100,885,000	35,449,255	136,334,255	53,044,505
1989	95,927,000	28,547,971	124,474,971	46,006,721
1990	87,760,000	22,063,090	109,823,090	40,131,590
1991	69,699,000	15,870,180	85,569,180	38,947,430
1992	48,349,000	10,523,425	58,872,425	38,152,425
1993	43,563,000	7,396,987	50,959,987	31,719,987
1994	20,598,000	5,219,975	25,817,975	25,817,975
1995	19,096,000	3,987,625	23,083,625	23,083,625
1996	18,610,000	2,864,412	21,474,412	21,474,412
1997	14,865,000	1,800,418	16,665,418	16,665,419
1998	13,380,000	1,008,193	14,388,193	14,388,194
1999	8,640,000	368,931	9,008,931	9,008,931
2000	2,551,000	69,081	2,600,081	2,600,081
June 30, 1983	<u>\$946,183,000</u>	<u>\$345,908,754</u>	<u>\$1,292,091,754</u>	<u>\$592,428,304</u>



hitch:

Ask this question

Governor has proposed  
spending \$464 million  
for revenue sharing,  
municipal assistance  
and longevity bonus.  
Why does spending  
\$376 million, or \$28  
million less, jeopardize  
the fund more? →

# **Bache**

Bache Halsey Stuart Shields Incorporated

Municipal Bond  
Research Department

## **A Special Report**

April 5, 1982

# **THE STATE OF ALASKA**

Prepared by: Helen Raffel  
(212) 791-3633

THE STATE OF ALASKA

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I. Summary and Opinion

Alaska has a land area one-fifth the size of the continental United States, but the total population is smaller than that of the city of Seattle and is chiefly clustered in a handful of urban areas. Migration from the "Lower 48" states has been successively drawn to Alaska by the gold rush, military build-ups during two World Wars and, most recently, North Slope oil.

Since the completion of the Trans Alaska Pipeline that runs from the North Slope oil fields to the southern port of Valdez, the oil and gas industry has overshadowed all other Alaskan industries in terms of revenue produced. Four-fifths of total General Fund revenues come from oil and gas taxes, rents, royalties and bonuses. With U.S. decontrol of oil prices at the end of the 1970s, Alaskan revenues soared. During the past year, however, world oil prices have weakened, lowering State revenues and reversing the earlier rising trend in General Fund balances.

Alaskans are conscious of the sensitivity of their economy to fluctuations in world demand for Alaska's depletable resources. In 1976 the voters had the foresight to approve a State constitutional amendment creating a Permanent Fund to receive and maintain in perpetuity a large share of oil and gas industry payments to the State. In Fiscal 1981 and 1982 large transfers from the General Fund were appropriated to the Permanent Fund, over and above the direct oil and gas revenue payments that are constitutionally mandated. Earned investment income from the Permanent Fund (which now aggregates over \$3 billion) supplies significant supplementary revenue to the General Fund.

Alaskan general expenditures normally include a large amount of capital outlays, as may be expected in an underdeveloped land experiencing rapid economic growth. ~~Conventional capital financing through bond issuance has also been relatively large. As a consequence, per capita tax-supported State debt is over ten times that of the median state, and debt is very high relative to personal income.~~ However, these measures of ability to pay are at present irrelevant for Alaska, since almost all State revenues are derived directly from minerals production and processing. ~~General obligation bond maturities are timed to match projected depletion of petroleum resources, and by that time new petroleum and non-petroleum mineral resources are likely to have been developed.~~ The instability of petroleum prices remains a cloud on the short run horizon because of the dependence of State revenues on oil and gas earnings.

On the basis of all of these considerations, we rate the State of Alaska in the mid-range of the "double A" (AA) quality rating scale.

Key Statistical Comparisons: Alaska and U.S., 1980

	Alaska	U.S.
Population	401,851	226,545,805
Per capita personal income	\$12,790	\$9,521
% employed in government (1978)	39.0%	17.9%
Unemployment rate (1981)	9.3%	7.6%
Total State revenue per capita	\$ 8,064	\$1,223
% General Fund revenue from oil & gas industry (1981)	81.0%	NA
Total State expenditure per capita	\$ 5,058	\$1,138
Tax-related State debt per capita (1982)	\$ 2,314	\$ 203 <sup>a</sup>
Debt service as % of total revenue (1981)	2.3%	4.0%

<sup>a</sup>Moody's state median

BACHE: AA  
 MOODY'S: Aa  
 STANDARD & POOR'S: AA-

II. Demographic and Economic Trends

POPULATION AND LAND OWNERSHIP

Between roughly B.C. 20,000 and A.D. 1700 Alaska was populated by only a few thousand Indians and Eskimos, descendants of Ice Age migrants who had crossed the Bering Strait land bridge while the sea was captured by the expansive Polar Ice Cap. The advent of Russian fur-traders brought the first Europeans to the land. In 1867 the Russian claim was sold to the United States, and only 23 years ago, in 1959, Alaska achieved Statehood. Even now, however, on a land area one-fifth the size of the continental United States, the entire population is only slightly over 400,000, a population smaller than that of the city of Seattle.

Table 1. Alaska and U.S. Decennial Population: Actual 1950-1980 and Projected 1990-2000

<u>Year</u>	<u>Alaska Population</u>	<u>Alaska % Change</u>	<u>U.S. Population</u>	<u>U.S. % Change</u>	<u>Alaska/ U.S.</u>
1950	128,643		151,325,798		0.1%
1960	226,167	75.8%	179,323,175	18.5%	0.1
1970	302,583	33.8	203,302,031	13.4	0.2
1980	401,851 <sup>a</sup>	32.8	226,545,805 <sup>a</sup>	11.4	0.2
1990	532,000	32.4	247,859,000	9.4	0.2
2000	665,000	25.0	264,726,000	6.8	0.3

<sup>a</sup>Revised 1980 Census figure, September, 1981.

Sources: Decennial Census Figures from Bureau of the Census, "Census of Population and Housing: Alaska" (September, 1981 and "Number of Inhabitants - Alaska"; 1990 and 2000 adjusted projections from Regional Economic Analysis Division, Bureau of Economic Analysis, U.S. Department of Commerce.

New arrivals from the "Lower 48" have come to Alaska in accordion-like waves. Until 1880 the non-native population of Alaska still consisted primarily of fur traders. In 1880, however, Richard Harris and Joe Juneau discovered gold in the Southeast Panhandle below Canada's Yukon Territory, and the first large wave of white migration began.\* The gold rush was over by the early 20th century, and although the territorial capital was transferred from Sitka to the new city of Juneau in 1900, Juneau's population remains less than 20,000. It will become smaller still if the capital is moved to Willow, north of Anchorage, as approved in a 1976 State-wide referendum but subject to a confirming referendum in November, 1982.

\*As a result of the gold rush, Juneau was the first city to be founded in Alaska since its purchase from Russia.

The establishment of military bases in Alaska during the two World Wars brought more inhabitants from the mainland. Military installations in Anchorage, on the south-central coast of Alaska, and Fairbanks in the interior are but one of the elements that have made these cities the two largest in the State. The 1980 population of Anchorage was 173,017, or 43% of the State total, and the population of Fairbanks was 22,645. The most recent wave of migration to Alaska, attracted by the huge North Slope oil find in 1968, has helped to swell the population of Fairbanks, a major supply depot and staging point for the North Slope. All told, successive waves of migration from the Lower 48 have brought the non-native population up to 77% of the total, most of it clustered in a handful of urban areas.

The Statehood Act of 1958 granted Alaska the right to select 103.4 million acres as State lands -- 27% of the total area of the State -- subject to the claims of the native Eskimos, Aleuts and Indians. The Alaska Native Claims Settlement Act of 1971 delayed State land selection until thirteen regional Native Corporations were established and had selected their own 44 million acres (including subsurface rights), 12% of the total land area. Under the terms of the Settlement Act, the Native Corporations have also received \$462 million from the Federal Government and joint payment by the Federal and State governments of \$500 million derived from royalties, rentals and bonuses related to mineral production. Monetary payments were completed in 1981, but land selection is still under way.

A further restraint on Alaskan State land selection is the Alaska National Interest Lands Conservation Act of 1980 (the "Lands Act") which set aside 120 million acres (32% of the total Alaskan land area) for National Parks, refuges and other conservation systems.

When State and Native selection has been completed, the Federal Government will still own about 60% of the total Alaskan land area. Beyond the land area proper, however, the State has received an estimated 35 to 45 million acres of submerged territory, some of which contains producing oil and gas fields or has high potential for such production.

INDUSTRY AND EMPLOYMENT

The oil and gas industry overshadows all other Alaskan industries in terms of revenue produced. When measured in terms of total employment, however, the predominant industry in Alaska is government. Almost two-fifths of the employed labor force is in the government sector (Table 2).

Table 2. Alaska and U.S. Employment Distribution by Industry:  
Actual 1978 and Projected 1990 and 2000

Industry	Alaska			U.S.		
	1978	1990	2000	1978	1990	2000
Trade	14.8%	17.5%	19.7%	21.2%	21.8%	22.0%
Services	17.1	20.9	23.0	20.4	22.4	23.5
Government	39.0	31.6	27.7	17.9	16.4	15.9
Manufacturing	5.7	5.4	5.3	20.7	19.8	19.3
Construction	6.7	6.4	6.1	5.3	5.4	5.3
Finance <sup>a</sup>	4.3	5.4	5.9	5.1	5.7	5.9
Transportation <sup>b</sup>	8.1	7.4	7.2	5.1	4.9	4.8
Agriculture <sup>c</sup>	1.4	1.0	1.1	3.4	2.6	2.4
Mining	2.9	3.7	3.7	0.9	0.9	0.8
Total <sup>d</sup>	100.0	100.0	100.0	100.0	100.0	100.0

<sup>a</sup> Finance, Insurance and Real Estate

<sup>b</sup> Transportation, Communication and Public Utilities

<sup>c</sup> Farm, Agricultural Services, Forestry, Fisheries and Other

<sup>d</sup> Columns may not sum to 100% due to rounding

Source: Survey of Current Business (November, 1980)  
pp. 56 and 70.

Juneau is the official seat of State government, and the economy of the Southeast region, where Juneau is located, is heavily dependent upon government employment. Fishing, forestry, tourism and trade are also important to the region, although at present the forestry industry is depressed by a fall-off in construction activity in Japan, the prime market for Alaskan timber and pulp. New mineral production in the Southeast may provide substantial employment opportunities by the mid-1980s. A silver-zinc-lead mine near Juneau and a molybdenum mine near Ketchikan are expected to be operative in a few years, as environmental and financial problems are worked out.

Two time zones westward from Juneau on the southern coast is the thriving city of Anchorage, the financial and commercial hub of Alaska. The city is an important seaport, an air transportation center, headquarters for many of the national and international firms participating in North Slope oil and natural gas development, and the site of Fort Richardson and Elmendorf Air Force Base. Although Juneau is the capital, many State government offices are located in Anchorage. Governmental operations, including the 2800 civilians

employed at Federal military installations, accounted for an estimated 27% of total wage and salary jobs in Anchorage in 1980, a high percentage by average U.S. standards, but a lower dependency on government employment than in the other two major Alaskan cities.

Anchorage is at the center of a growing and diversified region of Alaska. The Kenai Peninsula forms the southeastern coast of Cook Inlet, the 200-mile long entrance to the port of Anchorage. Oil and gas production and refining on the Peninsula and in Cook Inlet account for about 50% of the Kenai tax base; the Kenai National Moose Range provides an example of "compatible use" between a wildlife preserve and the first oil field in Alaska. At the southern end of the Peninsula is the port of Seward on the Gulf of Alaska, the southern terminus of the 470-mile long Federally owned Alaska Railroad which runs north to Anchorage, on through the agricultural Matanuska-Susitna ("MatSu") river valleys where a giant hydroelectric plant may eventually be built, through Mt. McKinley National Park past the highest mountain in North America, and past the Nenana coal field with the only operating mine in a State that has purported coal reserves of almost 2 trillion tons. The northern terminus of the railroad is Fairbanks.

In addition to being a government and military center (Fort Wainwright, Fort Greeley and Eilson Air Force Base) and host to the main campus of the University of Alaska, Fairbanks is the service and distribution center for the interior and northern portions of the State. It has both benefited and suffered from the construction of the Trans Alaska oil pipeline that runs from the Arctic Ocean to the port of Valdez, just east of the Kenai Peninsula. Fairbanks benefited from the trade and employment generated by pipeline construction activity during the mid-1970s. But with the completion of the line in 1977, unemployed construction workers flooded into the city looking for work.

Even before completion of the oil pipeline, Fairbanks in particular and Alaska in general experienced high unemployment rates. The climate and the predominance of outdoor or seasonal productive activities like fishing, mining, drilling, lumbering and construction work cause unemployment to be exceedingly high for many months each year. More importantly, chronic rather than seasonal unemployment is caused by the widespread impression in the Lower 48 that jobs and wealth are available in plenty in Alaska. The result is that job-seekers, often with the wrong skills, pour into Alaska in greater numbers than can be accommodated. Except for 1975, one of the years of major pipeline construction, the average annual unemployment rate in Alaska has been above the national average since 1970, and frequently highest in the nation.

Table 3. Average Annual Unemployment Rate, Alaska and U.S.

	<u>Alaska</u>	<u>U.S.</u>
1970	10.3%	4.9%
1971	11.9	5.9
1972	10.4	5.6
1973	10.4	4.9
1974	10.5	5.6
1975	6.9	8.5
1976	8.0	7.7
1977	9.4	7.0
1978	11.2	6.0
1979	9.2	5.8
1980	9.7	7.1
1981	9.3 <sup>a</sup>	7.6

<sup>a</sup>Preliminary figure.

Source: U.S. Bureau of Labor Statistics;  
U.S. Bureau of the Census, Statistical  
Abstract of the United States, for 1970-74  
Alaskan unemployment rates.

Since the completion of the Trans Alaska oil pipeline, North Slope petroleum production has been a major factor in the Alaskan economy. Pipeline capacity increased from 720,000 barrels per day in 1977 to 1.5 million barrels per day in 1980. Maximum design capacity is 2 million barrels per day. In the older Kenai fields, oil production averages 100,000 barrels per day. It has been conservatively estimated that at least one-third of the labor force employed in Alaska is in one way or another dependent on the petroleum industry.\* This estimate takes into account the fact that approximately 90% of State government revenues are derived from oil and gas taxes, rents and royalties. Thus in the near term Alaska's economic strength and State financial resources will be greatly influenced by trends in the world price of petroleum. In the longer run, new mining operations, oil and gas field discoveries and increased earnings from the Permanent Fund of accumulated set-asides from the State's mineral-based revenues are expected to extend the benefits of Alaska's depletable wealth far into the future.

#### PROSPECTS FOR ALASKAN MINERAL DEVELOPMENT

With the 1968 discovery of a large oil and gas reservoir near Prudhoe Bay on the North Slope of the Brooks Mountain Range, Alaska jumped to second place among the states in oil reserves and third place in natural gas. The principal Prudhoe Bay reservoir, with remaining recoverable reserves of approximately 8.4 billion barrels of oil and 27 trillion cubic feet of gas, is larger than any oil field previously found in North America. Prudhoe Bay oil currently supplies almost one-fifth of total U.S. oil production.

\*Alaska Office of the Governor, The Alaska Economic Information and Reporting System (Quarterly Report, October 1981).

West of Prudhoe Bay on the North Slope, the Kuparuk field began operating in December, 1981. It is now producing 80,000 barrels per day and is expected to reach 250,000 barrels per day by 1986. Known recoverable reserves at Kuparuk are close to a billion barrels; total Kuparuk reserves are estimated at 4-5 billion barrels.

Additional substantial oil finds are also anticipated in the State-owned shallow waters of the Beaufort Sea to the east of Prudhoe Bay, but formations here have yet to be proven.

At the present time the natural gas produced in conjunction with North Slope oil operations is being injected back into the Prudhoe Bay reservoir. A project to pipe the gas through Canada along the Alcan Highway to the Lower 48 has been devised, an agreement between the U.S. and Canada was concluded in 1977, and gas is already flowing from Canada to the Western U.S. through completed segments. If the entire pipeline is completed, the Alaskan Natural Gas Transportation System would be the largest privately financed project ever undertaken in the world. Certain enabling legislation, including a waiver package to permit precompletion billing, rolled-in pricing, producer equity participation and other conditions submitted by the pipeline sponsors has been passed by Congress, but escalating cost estimates and financing problems continue to cause delay. Recent weakness in world petroleum prices has raised additional doubts about the profitability of investing in the high-cost Alaskan segment.

Alaskan non-petroleum mineral development was held up for many years by uncertainties about land ownership, but Congressional passage of the Lands Act in 1980 cleared the way for accelerated development. The largest of the projects now proceeding involves exploitation of an estimated 2 billion pound deposit of molybdenum sulfide located 75 miles from Ketchikan in the Southeast. Production startup is currently scheduled for 1987.

Coal reserves in Alaska are estimated as high as 1.9 trillion tons. Most Alaskan coal is found in four areas of the State: on the North Slope, in the Nenana field south of Fairbanks, in the Susitna River Basin north of Anchorage and on the southeastern side of the Alaska Peninsula (including the northwestern shore of Cook Inlet). The North Slope alone is estimated to contain 1.8 trillion tons of coal, but 83% of the proven resources occur in the other areas, chiefly the Nenana field where the producing Usibelli mine is located and the Beluga field on Cook Inlet. Compared to the coal of Montana and Wyoming, Alaskan coal is slightly lower in sulfur content but also lower in heating value and much higher in ash and moisture content. The chief advantage over mainland coal of proven Alaskan reserves is relative nearness to marine ports and to Far Eastern markets, thus compensating for lower quality with lower transportation costs.

### III. Fiscal Trends

Alaskan State revenues are strongly dependent on the world price of petroleum. During the late 1970s, as oil prices rose so did State revenues. However, weakening oil prices during the past two years have generated net deficits in the State budget and reduced the large General Fund balances that had accumulated by 1980. The Governor has therefore recommended that State appropriations be cut back in Fiscal 1983.

Because of the projected decrease in oil and gas revenues, coupled with a large relative amount of outstanding tax-supported debt, the Governor's Fiscal 1983 budget also recommends that further general obligation borrowing be suspended during the next two fiscal years, and that capital outlays be financed solely from general revenues. Fortunately, voters had the foresight in 1976 to approve a constitutional amendment creating a Permanent Fund which receives a large percentage of mineral-based State revenues.\* The principal of the Fund is constitutionally required to be maintained in perpetuity;\*\* investment earnings from the Permanent Fund, however, are transferred to the General Fund and are available for capital as well as operating expenditures.\*\*\* Income from the Permanent Fund should enable the State to implement the Governor's Fiscal 1983 budget recommendations.\*\*\*\*

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\*The original amendment provided that at least 25% of all mineral lease rentals, royalties, royalty sale proceeds, Federal mineral revenue sharing payments and bonuses received by the State be placed in the Permanent Fund. Subsequent legislation increased the Permanent Fund's share to 50% for rents and royalties on mineral leases issued after December 1, 1979 and to 50% for bonuses on mineral leases issued after February 15, 1980. The principal balance of the Permanent Fund as of December 31, 1981 totaled \$2,960,670,000, including a required deposit of nearly \$1.3 billion during Fiscal 1981 and a special appropriation of \$900 million from the General Fund. A second legislative appropriation to the Permanent Fund of \$1.8 billion requires that at least \$1.4 billion be transferred during Fiscal 1982 and any remainder during Fiscal 1983.

\*\*No systematic prescription for maintaining the value of the principal in terms of real purchasing power has yet been adopted.

\*\*\*Permanent Fund income is unlikely to be available for debt service because of U.S. Internal Revenue Service arbitrage rules. (See also Revenue Ruling 82-101, issued by the IRS on April 30, 1982, in connection with indirect support for State of Alabama G.O. bonds by income from the State's Heritage Trust, an oil and gas revenue trust fund similar to the Alaska Permanent Fund.)

\*\*\*\*The 1980 Legislature appropriated 50% of distributable Permanent Fund income as a direct dividend payment to Alaskan residents based on length of State residency. However, the legislation has been challenged on constitutional grounds and has not yet been implemented pending a decision by the U.S. Supreme Court. The recent drop in oil-related revenues may induce reconsideration of the proportional allocation of Permanent Fund income between private and public purposes.

REVENUES, EXPENDITURES AND FUND BALANCES

Because of a State constitutional prohibition against dedicating the proceeds of State taxes and licenses, appropriations from the General Fund are required for almost every program in Alaska. General Fund revenues increased strongly in Fiscal 1980 and Fiscal 1981, and responsive increases in spending were legislated for Fiscal 1981 and Fiscal 1982. A drop in projected revenues for Fiscal 1982 presages a large decrease in the General Fund balance, although the total will still be substantial (Table 4).

Table 4. State of Alaska General Fund Revenues, Expenditures and Balances, Fiscal 1977-82<sup>a</sup>  
(Millions of Dollars)

	<u>FY 1977</u>	<u>FY 1978</u>	<u>FY 1979</u>	<u>FY 1980</u>	<u>FY 1981</u>	<u>January Projection FY 1982<sup>b</sup></u>
Total Receipts	\$1,206	\$1,099	\$1,458	\$2,793	\$4,500	\$4,336 <sup>b</sup>
Total Expenditures	1,036	1,097	1,236	1,477	4,613	5,259 <sup>b</sup>
Ending General Fund Balance	760	761	984	2,300	2,187	1,264

<sup>a</sup>State of Alaska fiscal year runs from July 1 to June 30.

<sup>b</sup>Includes \$1.4 billion appropriated for transfer to the Permanent Fund over and above the constitutionally mandated amount.

Sources: State of Alaska Official Statement, February 26, 1982, and Alaska Executive Budget Fiscal 1983.

Sources of State revenue, detailed in Table 5, are predominantly oil and gas-related. The State has no sales tax. The State personal income tax was repealed in September, 1980, retroactive to calendar year 1979, and income taxes already paid or withheld were refunded in Fiscal 1981. Table 6 highlights the sharp contrast between Alaskan revenue sources and the U.S. average distribution. Alaska receives negligible sales tax revenue (none at the State level) and transfer payments from the Federal Government provide a relatively small proportion of the total.\* The Alaskan revenue distribution is clearly overwhelmed by oil and gas corporate\*\* and severance taxes,\*\*\* royalties, leases and bonus payments from the sale of mineral leaseholds.

\*Alaska, however, receives a larger amount of Federal outlays than its citizens pay to the Federal Government in taxes. U.S. Department of Interior expenditures in Alaska were fourth highest among the states in 1979 and Federal defense is also a prime source of Alaskan income. In 1979, U.S. Department of Defense expenditures in Alaska were over \$1,500 per resident, three times the national average.

\*\*The constitutionality of the oil and gas corporation income tax is under litigation but the companies continue to pay the tax under protest. An adverse court ruling could require repayment of more than \$1 billion. Furthermore, recent legislation has significantly reduced the future amounts that will be derived from this tax.

\*\*\*Oil and gas severance taxes were raised in Fiscal 1982 according to a phased-in formula, and the severance tax was extended to other mineral production.

Table 5. Alaska General Fund Receipts and Expenditures, Fiscal 1977-81  
(Millions of Dollars)

	FY 77	FY 78	FY 79	FY 80	FY 81
<b>Unrestricted Revenue</b>	\$ 877	\$ 768	\$1,117	\$2,467	\$3,702
<b>Taxes</b>	752	542	799	1,411	2,293
Oil & Gas Corporate Income <sup>a</sup>	-	-	233	547	860
Oil & Gas Production	24	108	174	306	1,170
Petroleum Real Property	139	173	163	169	144
Oil & Gas Reserves	271	-	-	-	-
Individual Income	210	146	117	100	7 <sup>d</sup>
Other Corporate Income	36	34	25	18	39
Fuel	20	23	22	26	23
Fish	4	6	12	15	21
Other Taxes <sup>e</sup>	48	53	53	29	29
<b>Natural Resource Revenues</b>	45	139	207	339	1,150
Oil & Gas Royalties	34	127	188	306	1,118
Sale of State Land	2	2	8	4	4
Federal Shared Resource Revenues	1	4	4	5	9
Lease Rentals, Bonuses & Royalties	4	2	2	320 <sup>f</sup>	12
Other Natural Resource Revenues	3	3	4	4	6
<b>Other Unrestricted Revenues</b>	91	88	111	218	259
Interest Earned	37	43	59	147	154
Licenses & Permits	18	19	20	19	21
Transportation Fees	18	16	20	22	25
Other	8	10	13	10	59
<b>Restricted Revenue</b>	244	246	235	242	219
Federal Grants-in-Aid	230	233	220	224	201
Other Restricted Revenue	15	13	14	18	18
<b>TOTAL GENERAL FUND REVENUE</b>	1,122	1,014	1,352	2,709	3,921
INTERAGENCY RECEIPTS	65	59	74	72	153
NET TRANSFERS & ADJUSTMENTS	20	25	23	12	426
<b>TOTAL GENERAL FUND NET RECEIPTS</b>	1,206	1,099	1,448	2,793	4,500
<b>Operating Expenditures (Current FY Appropriations)</b>	778	853	983	1,126	3,129
Education	306	333	389	446	556
Social Services	90	101	114	131	167
Health	47	61	71	73	100
Natural Resources	59	63	68	83	118
Public Protection	20	25	26	29	36
Administration of Justice	67	71	80	85	101
Development	41	43	50	63	162
Transportation	97	96	113	130	152
General Government	51	61	71	86	1,737 <sup>g</sup>
<b>Capital Expenditures (Current FY Appropriations)</b>	190	192	178	249	1,370
Education	6	3	25	50	51
Social Services	1	negligible	1	2	6
Health	2	1	1	1	6
Natural Resources	5	4	8	18	42
Public Protection	negligible	negligible	3	2	3
Administration of Justice	1	1	1	1	9
Development	6	7	3	39	403
Transportation	135	147	104	82	172
General Government	34	18	28	55	677 <sup>h</sup>
<b>TOTAL GENERAL FUND EXPENDITURES OF CURRENT FY APPROPRIATIONS</b>	968	1,035	1,161	1,376	4,499
EXPENDITURES OF PRIOR FY APPROPRIATIONS <sup>i</sup>	68	62	75	101	114
<b>TOTAL GENERAL FUND EXPENDITURES</b>	1,036	1,097	1,236	1,477	4,613
<b>EXCESS (DEFICIENCY) OF RECEIPTS OVER EXPENDITURES</b>	170	2	222	1,316	(113)

<sup>a</sup>The "separate accounting" formula for allocating production and pipeline income to Alaska has been modified effective January 1, 1982. Future revenues from this source are expected to be significantly reduced by the modification, but the reductions should be largely offset by 1981 legislation that increased the severance tax.

<sup>b</sup>Severance Tax.

<sup>c</sup>Tax on mineral reserves was eliminated after FY 1977.

<sup>d</sup>Individual income tax was repealed in September, 1980, and will not be a source of revenue after FY 1981.

<sup>e</sup>Includes Insurance Premium, Alcoholic Beverage Tax, Business License Tax, Cigarette Tax, School Tax and Other.

<sup>f</sup>Includes \$317 million Mineral Lease Bonus. In December, 1979, the State of Alaska and the United States held a joint oil and gas lease sale in the Beaufort Sea from which the State received a bonus payment of \$457 million for un-leased State lands. (Most of the \$140 million remainder was credited to the Alaska Permanent Fund.)

<sup>g</sup>Comprised of (a) the Permanent Fund deposit of 5900 million, (b) the payment to Alaska Housing Finance Corporation of \$550 million, (c) the refund of State income taxes previously withheld of \$162 million and (d) other expenditures of \$127 million. Items (a) and (b) are essentially capital investments despite the accounting classification.

<sup>h</sup>Includes \$292 million Native Claims Settlement final payment and the original Rainy Day Fund transfer of \$350 million.

<sup>i</sup>Prior year appropriations may be encumbered during July and August but lapse on September 1. (Note: Sums may not equal totals due to rounding. "Negligible" means less than \$500,000.)

Source: State of Alaska Official Statement, February 26, 1982.

Table 6. Fiscal 1980 State Revenue Comparisons: Alaska and U.S. Average

	Alaska		U.S.	
	State	State & Localities	States	States & Localities
Revenue (\$Millions) <sup>a</sup>	3,230	3,846	276,962	451,537
Distribution by Source (%): <sup>b</sup>				
Federal Government	12%	11%	22%	18%
Property Tax	5	9	1	15
General Sales Tax	-	1	16	11
Motor Fuels Tax	1	1	4	3
Motor Vehicle License	negligible	negligible	2	.
Income Tax (Personal & Corporate)	21	17	18	
Other Tax <sup>c</sup>	18	15	9	
Fees	3	5	6	10
Interest	6	6	3	4
Insurance Trust Revenue	7	6	14	10
Liquor Store Revenue	-	negligible	1	1
Utility Revenue	-	1	negligible	5
Other <sup>d</sup>	28	26	2	3
Tax Revenue per capita <sup>e</sup>	\$3,590	\$4,184	\$ 605	\$ 987
Total Revenue per capita <sup>e</sup>	8,064	9,603	1,223	1,993
Tax Revenue per \$1000 personal income <sup>f</sup>	280	326	63	103
Total Revenue per \$1000 personal income <sup>f</sup>	629	749	128	209

<sup>a</sup>Includes employee retirement trust revenues and certain other revenues not included in Tables 4 and 5.

<sup>b</sup>Columns may not sum to 100% due to rounding.

<sup>c</sup>For Alaska, includes the oil production (severance) tax (\$496 million in FY 1980).

<sup>d</sup>For Alaska, includes the oil production royalty (\$552 million in FY 1980) and the mineral leases bonus (\$340 million in FY 1980).

<sup>e</sup>Calendar 1980 population.

<sup>f</sup>Calendar 1980 personal income.

Source: U.S. Bureau of the Census, Governmental Finances 1979-80 (1981).

From Table 5 once again, it can be seen that the expenditure pattern for Fiscal 1981 was unusual. In that year, operating expenditures were augmented by a \$900 million transfer from the General Fund to the Permanent Fund, a mortgage portfolio transfer from the State Treasury and other large payments to the Alaska Housing Finance Corporation, and refunding of personal income taxes. Before 1981, the more normal distribution of General Fund current operating expenditures allocated roughly 40% to education, over 10% each to transportation and social services, and lesser amounts to the other program categories. On the capital expenditures side, well over half of the total went to transportation projects in the earlier years, with economic and natural resource development receiving increasing allocations during the 1980s. Fiscal 1981 capital expenditures were augmented by the Native Claims Settlement final payment (pursuant to the Alaska Native Claims Settlement Act of 1971) and the establishment of a Rainy Day Fund within the General Fund as a contingency reserve for emergencies.\*

Transportation is a particularly significant budget item in Alaska because of the State's extended expanse, formidable terrain, and wide dispersion of its population. Alaska has only 2,100 miles of paved highway and approximately 600 miles of railroad track.\*\* Far and away the most important means of transportation in Alaska is the airplane, an expensive but essential mode of travel. Airports serve not only the resident population but also the international traffic that passes over the polar routes between Europe or North America and the Orient with refueling stops at Fairbanks or Anchorage. Second in importance to air transport is shipping; construction and maintenance of port and harbor facilities also comprise large items in the Alaska State budget.

In July, 1981, a special session of the Alaska State Legislature passed a joint resolution proposing a constitutional amendment to limit annual State appropriations to not more than \$2.5 billion, with formula adjustments for increases in population and inflation.\*\*\* The limit may be exceeded, subject to voter approval, for appropriations to the Permanent Fund and for capital outlays. The amendment will be submitted to the voters in November, 1982, to be effective in Fiscal 1984, and must be reaffirmed by referendum in November, 1986, for permanent ratification.

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\*Of the \$340 million currently in the Rainy Day Fund, \$5 million apiece may be transferred annually, without further legislative appropriation, to the Disaster Relief Fund and the Fire Suppression Fund.

\*\*The principal highway system consists of two widely separated routes between Anchorage and Fairbanks. The Federally-owned Alaska Railroad also runs through Anchorage to Fairbanks, and another railroad runs from Skagway in the Southeast into British Columbia.

\*\*\*Certain expenditures, including General Obligation bond debt service and appropriations of revenue bond proceeds, are exempted from the ceiling.

Table 7 compares Fiscal 1980 Alaskan expenditures and their programmatic distribution with the U.S. state averages for that year. Per capita State expenditures in Alaska were four and a half times as large as the U.S. state average in 1980, and local Alaskan governmental expenditures were more than twice the average. Higher than average proportions of the Alaska State budget were spent on education, environment and general administration, while lower than average proportions (but not per capita dollar amounts) were allocated to welfare payments and transfers to local governments. Above all, the distribution of Alaskan State expenditures was strongly tilted toward capital outlays, as may be expected in an underdeveloped land experiencing rapid economic growth.

Table 7. Fiscal 1980 State Expenditure Comparisons: Alaska and U.S. Average<sup>a</sup>

	Alaska		U.S.	
	State	State & Localities	States	States & Localities
Total Expenditure (\$Millions)	2,033	2,723	257,812	434,073
Distribution by Function (%) <sup>b</sup>				
To Federal Government	<sup>c</sup>	<sup>c</sup>	1%	<sup>c</sup>
To Local Government	17%	-	32	-
Education	18	27%	14	31%
Public Welfare	6	4	13	11
Health & Hospitals	2	2	6	7
Other Social Services	1	1	1	1
Highways	9	8	8	8
Other Transportation	3	2	<sup>c</sup>	1
Public Safety	3	5	3	6
Environment & Sanitation	6	7	<sup>c</sup>	6
Housing & Urban Renewal	1	2	<sup>c</sup>	1
Governmental Administration	6	7	3	4
Interest on General Debt	4	8	3	3
Insurance Trust Expenditure	5	4	10	7
Liquor Store Expenditure	-	<sup>c</sup>	1	1
Utility Expenditure	-	4 <sup>d</sup>	1	8
Other	21 <sup>d</sup>	19 <sup>d</sup>	3	5
Expenditure per capita <sup>e</sup>	\$5,058	\$6,776	\$1,138	\$1,916

<sup>a</sup>Includes certain expenditures not included in Tables 4 and 5.

<sup>b</sup>Columns may not sum to 100% due to rounding.

<sup>c</sup>Negligible.

<sup>d</sup>For Alaska, "Other Expenditures" are primarily direct capital outlays.

<sup>e</sup>Calendar 1980 population.

Source: U.S. Bureau of the Census, Governmental Finances 1979-80 (1981).