

ALASKA LEGISLATURE COMMITTEE FILES, 1989-1990 8672
5991 HOUSE RESOURCES

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was despite the fact that SOHIO's entire "upstream" net operating income (before interest, income tax and extraordinary item) reported to its shareholders for 1986 was only \$13 million -- a figure that included both the North Slope and Lower 48 operations. These continued investments have added a billion barrels to the reserves that can be recovered, and have increased production by some 200,000 barrels a day, allowing Alaska to overtake Texas for first place as the nation's largest oil-producing state. All other major oil-producing states were reporting significant declines in production during the same time as Alaska's was increasing.

Your question seems to suggest that there is something wrong if profits from Alaskan operations are not all reinvested back into Alaska. It is worth remembering that the industry's investment in Alaska -- which exceeds \$25 billion to date -- came primarily from "outside" funds.

(22) How many jobs are involved in starting up a small oil field? How many jobs are involved in maintaining a small field?

Answer: That depends partly on what you mean by "small." For the Endicott field, employment on the North Slope during construction peaked at approximately 725 jobs, not including indirect support positions in Anchorage or Fairbanks. Of these construction jobs, 95% went to Alaskans.

The number of people operating the Endicott field varies seasonally from a low of about 205 in winter to a high of about 235 in summer. The winter figure includes 103 employees of BP Exploration, 39 employees of contractors, and 63 in the drilling rig crew. All of these positions are on the North Slope, and do not include any support personnel in Anchorage.

(23) How many Alaskans were employed by the oil companies of Prudhoe Bay prior to June 20, 1987 when the tax cut kicked in? How many Alaskans are employed by the oil companies of Prudhoe Bay now?

Answer: As of June 15, 1987 (the last payroll date before June 20, 1987) Standard Alaska Production Company had 1,333 full-time people and 16 part-time people on its payroll. Contract employees at that time totaled 259.

As of January 31, 1989 BP Exploration had 1,380 full-time and two part-time employees, plus 350 contract employees.

(24) What is the long-term effect on Alaskan jobs in Prudhoe Bay and Kuparuk oil fields as a result of this ELF bill?

Answer: The long-term effect will probably be a reduction in the number of Alaskan jobs, as the ELF bill will make various development projects at Prudhoe Bay and Kuparuk River too expensive for the companies to afford. The number of missed opportunities at Prudhoe and Kuparuk because of HB 118 is likely to be greater than any opportunities in "marginal" fields elsewhere that HB 118 might stimulate. Frankly, we doubt that HB 118 will stimulate any new development of "marginal" fields -- the Administration's statement that HB 118 will lower the threshold oil price for a new "marginal" field by \$2 a barrel is exceedingly doubtful. On the one hand the Administration says that HB 118 will not affect development of the large fields, but on the other hand it says HB 118 will significantly encourage the development of small ones. They can't have it both ways -- either HB 118 will affect development, or it will not. If it does affect development, it will adversely affect those fields where the tax would increase. The Committee should request the Administration to provide the back-up for its figure, because of the inconsistency in the Administration's position on the face of it.

(25) How many Alaskans are employed by the oil companies of the marginal oil fields now? How many Alaskans are likely to be employed by the oil companies of existing marginal oil fields and in developing other oil fields as a result of this ELF bill?

Answer: As stated in response to Question 22, BP Exploration employs about 205 to 235 people at Endicott.

The Eileen (West End) Project in Prudhoe Bay is nominally slated to have 72 oil production wells and four gas injection wells. Two rigs (Alaska United Drilling's rig #2 and rig #3) began drilling 36 of these wells in 1988. This project was a pioneer in the "mini-module" approach to North Slope production facilities. While Eileen's mini-modules were fabricated Outside and trucked to Alaska, the success of this design has led to the in-state fabrication of mini-modules for the Hurl State Project, also at Prudhoe. Contracts were let to Alaskan contractors in Anchorage and Fairbanks for over 180,000 man-hours of work, creating more than 350 temporary construction jobs. Some 16 oil production wells and four water injection wells are planned for Hurl State, with drilling currently planned to begin in the third quarter of 1989 and be completed late next year.

Plans for Niakuk have not been finalized, and we do not at this time have estimates of the likely workforce that would be involved.

With respect to the effects of this ELF bill on planned projects that BP is involved in, we foresee no additional Alaskan jobs being created as the result of HB 118. Instead, we believe it is likely that jobs that would have been created for Alaskans will not come into existence because of HB 118.

(26) What is the long-term effect on Alaskan jobs in the smaller oil fields as a result of this ELF bill?

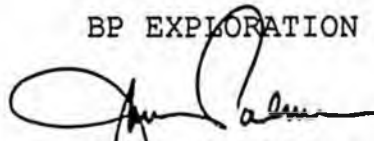
Answer: HB 118 is unlikely to cause any measurable long-term increase in the number of Alaskan jobs in smaller oil fields. As noted above, we do not believe the Administration's statement that HB 118 would lower the threshold price for developing a small field by \$2 a barrel. By relying on fieldwide production as its dominant parameter, HB 118 provides an incentive to keep small fields small. When drilling another well is going to increase the tax rate for all the oil already in production, why should the producer of even a small field want to increase production any more than necessary?

HB 118 provides a disincentive to the full development of even the small fields it purports to help, as was illustrated by the example in our answer to Question 9. This disincentive will tend to offset any incentive that HB 118 would provide through lowering the effective tax rate for small fields.

Thank you very much for this opportunity to respond to your questions. The ELF is still working the way it was intended to work. There is no need to fix it. We believe HB 118 is not necessary and is likely to prove counterproductive in terms of the public interests it seeks to advance.

Very truly yours,

BP EXPLORATION (ALASKA) INC.



James A. Palmer
Director of Government Affairs

Enclosure



Suite 601
301 W. Northern Lights Boulevard
Anchorage, Alaska 99503
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February 17, 1989

Representative Cliff Davidson
Co-Chairman, House Resources Committee
Representative Curt Menard
Co-Chairman, House Resources Committee
Pouch V
Interdepartmental Mail Stop 3100
Juneau, Alaska 99811

Dear Sirs:

HB 118 - ELF CHANGE LEGISLATION

We have audited, in accordance with generally accepted auditing standards, the consolidated financial statements of the BP America Inc. and subsidiaries for the year ended December 31, 1988 and will issue our report dated February 10, 1989.

The aforementioned financial statements included on a consolidated basis, the accounts of BP Exploration (Alaska) Inc., a subsidiary of BP America. Time spent by our Anchorage office on the 1988 audit of BP Exploration (Alaska) Inc. totaled some 3,000 hours.

The financial statements of BP Exploration (Alaska) Inc. included Alaskan lifting costs and field depreciation which totaled \$1042.8 million. This amount divided by BP America's share of production (delivered to Pump

Station #1) of 303.5 MMBOE results in a cost per barrel of \$3.43. These costs include BP America's share of both BP America operated fields and fields operated by others. Costs within these categories associated with the State of Alaska's royalty share are borne by the working interest parties and BP America's share is included in the \$3.43 per barrel rate.

Not included in the above costs are:

- (i) property taxes
- (ii) insurance
- (iii) severance taxes
- (iv) corporate overhead
- (v) depreciation on non-unit assets
- (vi) environmental studies

Very truly yours,

Ernst & Whinney

Delivered To: R. W. VanHook
Director of Taxes
BP Exploration (Alaska) Inc.

ANSWERS TO QUESTIONS

EXXON COMPANY USA

Exxon Company U.S.A
Response to Request for HB 118 Information

The following are provided in response to the questions posed by the House Resources Committee on February 10, 1989:

Question 1

The ELF was designed to encourage investment in "marginal" oil projects. The definition of "marginal" should relate to the profitability of a field, or projects within a field, and not to the total production from a field. Recently, some people have erroneously confused profitability with productivity. Profitability is not directly related to productivity. Crude prices, operating expenses including taxes and investments are variables that affect field profitability. As an example, although Prudhoe Bay is a profitable oil field overall, there are marginal projects within the field that cannot be pursued if HB 118 becomes law.

Question 2

HB 118 will reduce taxes for only two producing oil fields in the entire state of Alaska. The two fields that will incur a tax reduction are Endicott and Lisburne, with Endicott being the largest, averaging approximately 100 thousand barrels of oil per day in 1988. HB 118 imposes a higher production tax rate on larger fields. The average production rate per well at Prudhoe Bay during the mid-1990's is projected to be the same as at Lisburne today. However, HB 118 would impose a production tax rate on Prudhoe Bay at that point in time, which would be six times higher than on Lisburne today.

Question 3

The 1988 annual average oil production for Prudhoe Bay was 1.45 million barrels of oil per day. The January 1988 average oil production for Kuparuk was 318 thousand barrels per day.

Question 4

We do not have a readily available list of average well productions, but expect it to be highly variable, especially if offshore properties are included. Several states offer incentives for new development, tertiary projects and stripper wells. As an example, Alabama provides tax incentives for all new wells regardless of rate.

Question 5

The three major working interest owners at Prudhoe Bay are BP Exploration with 50.7% of the oil production, and ARCO and Exxon who both have 21.8%. The major Kuparuk owners are ARCO and BP Exploration with 56.3% and 38.8%, respectively.

Question 6 & 7

Exxon's 1976 worldwide net production of crude oil and natural gas liquids was 2.285 million barrels per day with virtually none of it being produced from Alaska. Exxon's 1988 worldwide net production of crude oil and natural gas liquids was 1.919 million barrels of oil per day with 356 thousand barrels extracted from our Alaska properties. Exxon's 1988 Prudhoe Bay net liquids production averaged 322 thousand barrels per day.

Question 8

HB 118 will only affect four oil fields in the entire state of Alaska that are currently producing. None of the Cook Inlet fields will be affected since

they currently pay no severance taxes. The taxes at Lisburne and Endicott will be reduced, while the taxes at PBU and Kuparuk will increase by more than 20% and 60%, respectively, during the first year. Under HB 118, the production tax rate at Prudhoe Bay during the mid-1990's is projected to be almost three times higher than under current law. Overall, HB 118 will result in a tax increase on over 90% of Alaska's oil production.

Question 9

Under current state law, the maximum tax rate that can be applied is 15% when ELF is one.

Question 10

Since mid-1981 until the end of the first ten years of production, the top rate at PBU was 15%. Under the proposed HB 118, the severance tax rate will be increased from the current 12.3% to 14.9%.

Question 11

Exxon's severance tax records are not public information and, therefore, cannot be released. However, according to the Petroleum Revenue Forecast published by the Alaska State Department of Revenue, severance tax revenue of \$818.7 million was collected in FY 1988 from petroleum operations.

Question 12 & 13

According to the Division of Policy's April 1988 Report entitled "The ELF - A Policy Perspective", only Louisiana with a tax rate of 12.5% has a higher severance tax rate than the effective tax rate at PBU under current law. If HB 118 becomes law, Alaska's taxes will increase from 12.3% to 14.9%, which will be the highest severance tax rate in the United States.

As a note, however, that a direct comparison of Alaska's severance taxes to other individual states may not be valid since each state's total tax structure can vary considerably. Similarly, attempting to compare different countries' tax structure to Alaska is not valid since you must consider the timing of the recoupment of investment and expenses, and the leasing schemes.

Section III - Profits

Certain profit information is considered confidential and, therefore, is not released. Additionally, we would refrain from releasing this information due to ongoing litigation with the state over royalty and tax dispute resolution.

The oil companies' basic purpose for being in Alaska is to earn a profit on invested funds. The profits from Alaska oil are partially reinvested in Alaska, but are also invested in other projects throughout the world. Due to this diversity of sources and uses of funds, it is not possible to say exactly where profits from one area are eventually employed. However, bear in mind that if the oil companies had not used the profits from "Outside" investments, PBU would not have been discovered or developed, FPS would not have been built, and Alaska would not have enjoyed the benefits it has derived from North Slope oil interests over the past 20 years.

Section IV - Impact on Alaskans

Since Exxon has no oil production operations in the state of Alaska, we have limited information to answer these questions. However, if the current tax structure remains, it will encourage development of future marginal projects, which will maintain jobs on the North Slope.

ANSWERS TO QUESTIONS

ARCO ALASKA, INC.

ARCO Alaska, Inc.
Tax Department
Post Office Box 100360
Anchorage, Alaska 99510
Telephone 907 265 6556



Hugh R. Motley
Vice President
General Tax Officer

February 22, 1989

Representative Curt Menard, Co-Chair
Representative Cliff Davidson, Co-Chair
House Resources Committee

Gentlemen:

In response to your request of February 10, 1989 please find attached answers to the 26 questions requested of members of the oil industry concerning House Bill 118. ARCO Alaska appreciates the opportunity to provide information to the committee and would be more than happy to assist in any way possible in the future.

Sincerely,

Hugh R. Motley
Vice President and
General Tax Officer

Attachment

February 22, 1989

Responses to House Resources Committee
ELF Questions - HB-118

Question 1: The Elf is designed to provide production incentives for wells in "marginal" oil fields. Which oil fields are considered "marginal" in Alaska?

Answer: The ELF was originally designed to provide incentives to obtain the maximum ultimate recovery from all fields in the state. It is not and was never intended to assist only projects in "marginal" fields. It works to lower the production tax rate as the daily production per well in a field declines. The less profitable the field (measured by the average production per well), the more incentive the producer receives, and therefore presumably, the more likely that new investments would be made to increase ultimate production.

In most instances, a field declines throughout its producing life and becomes "marginal" only when its profitability is very low. The reservoir must be carefully managed long before this time or parts of the reservoir will deteriorate to the point where no additional recovery will ever be economically viable. Ongoing development provides the field with a longer life and produces far more crude. But incremental recovery projects decrease in economic attractiveness as an oil field ages. The attractiveness (or marginality) of an incremental investment is the primary consideration in the decisions affecting additional development and the recovery of associated oil reserves in any oil field. If incentives were provided only near the end of a field's life, (when it is already "marginal"), it is entirely likely that enhanced recovery projects could never be undertaken.

Question 2: How many barrels per day are extracted from the most productive oil field in Alaska that will be allowed tax cuts under this ELF bill?

Answer: The most productive field in Alaska as of the end of 1988 was the Endicott field with a per well per day production of 3000 barrels. This would be one of the small fields (97 thousand barrels per day production) whose production tax burden would be decreased upon the enactment of HB-118. But a field like Kuparuk can also be only marginally profitable or as Attachment I shows might even operate at a loss. The Kuparuk field produces only 1000 barrels per

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well per day, one third that of Endicott, and yet, under HB-118, Endicott will get a reduction in its production tax and Kuparuk will get an immediate 60% increase.

Question 3: How many barrels per day are extracted from Prudhoe Bay and Kuparuk?

Answer: During December, 1988 Prudhoe Bay production was 1508.3 thousand barrels per day. Kuparuk averaged 307.2 thousand barrels per day during that same time period. This level of production, however, is only the result of significant incremental investment which included in its economic justification the application of the ELF. The incentives provided by the current ELF will allow the industry to maintain production at the highest possible rates through additional incremental investment in the future.

Question 4: How many barrels per day are extracted from wells in the most productive oil fields in the various lower 48 states? What is the greatest barrels per day extraction considered marginal and provided tax cuts for production incentive in the various lower 48 states?

Answer: The average production from any well in the lower-48 fields is significantly lower than is the average in Alaska as indicated by the figures provided by the Administration. At production levels presented, with or without a production tax burden, not one of these fields could be economically produced in Alaska. Whether any of these fields are marginal or not is dictated by many variables including operating costs, transportation costs, and eventually wellhead value. However, any well becomes more marginal as its production and therefore its relative profitability declines. None of these fields would survive a \$7.00 per barrel transportation cost.

Question 5: Which oil companies have the greatest lease interests in Prudhoe Bay and Kuparuk oil fields and what is the percentage of their lease interests?

Answer: Attachment II details ownership of Prudhoe Bay, Kuparuk and several other fields in the state. Please note that the companies which own significant pieces of Prudhoe and Kuparuk are the same companies which own substantial interests in other smaller fields.

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Question 6: Oil companies: how much did you extract world wide in 1976? How much of that was from Alaska? (Prudhoe Bay?)

Answer: ARCO production in 1976, world wide was 511.2 MBPD. ARCO's Alaska production in 1976 was 27.7 MBPD, all of which came from fields in the Cook Inlet.

Question 7: Oil Companies: How much oil did you extract world wide in 1988? How much of that was from Alaska? (Prudhoe Bay?)

Answer: In 1988, after ARCO Alaska Inc.'s investment totaled \$7.6 Billion in the State of Alaska, ARCO's production from the state was 470 MBPD with 305 MBPD of that production coming from Prudhoe Bay. ARCO's total world wide production in 1988 was 679.7 MBPD.

Question 8: Which oil fields will receive tax breaks from this ELF Bill? Which oil fields will receive tax increases from this ELF bill?

Answer: The only fields currently in operation which will have their taxes reduced are Endicott and Lisburne whose combined total production is only 135 MBPD. Prudhoe Bay and Kuparuk fields which produce 1,815 MBPD, will have their taxes increased by 40% and 160% respectively over the next ten years. Over 90% of the state's production and nearly all of the state's reserves will be burdened with additional production tax under HB-118. When the two fields that hold the vast majority of the states known reserves are burdened by more production tax, there can only be a negative impact on the ultimate recovery of the state's oil and gas resources. Almost one-half billion barrels of additional Kuparuk oil can be recovered if economics allow.

Question 9: Can the ELF raise the amount that would be paid for severance taxes above the statutory nominal rate of 15% for any oil field or any oil company? So this ELF bill can't do this either, right?

Answer: House Bill 118 would not subject the total production of a field to more than the nominal statutory rate of 15%. It could, however, subject an incremental barrel of oil produced to a

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production tax rate in excess of 15%. This result would place an onerous burden on any investment that would act to produce additional barrels of oil and can only be perceived as an incentive to keep small fields small and make big fields smaller.

Question 10: Will this ELF bill raise the rate that would be paid for severance taxes for Prudhoe Bay above the rate that was paid by oil companies at Prudhoe Bay prior to June 20, 1987?

Answer: Again, it is possible for the rate on an additional barrel produced at Prudhoe Bay to be burdened with a production tax in excess of the 15% rate. From 1981 through June 20, 1987, the "rounding rule" was applied to production at Prudhoe Bay that set its ELF at 1.0 and its production tax rate therefore at 15%. House Bill 118 would raise the rate to 14.9%. Kuparuk's rate would go from 8.4% to 13.2%.

Question 11: How much is being paid to the State of Alaska in severance taxes each year?

Answer: The fiscal year 1988 severance tax collections, based on the Alaska Department of Revenue's October, 1988 Revenue figures, were \$816.4MM.

Question 12: How does the amount that Alaska receives in severance taxes compares to the amount that other oil-producing states and nations receive? How much would the fields in the lower 48 pay if they were placed under the Alaska tax structure?

Answer: A definitive study of severance tax rates throughout the nation would be a complex task, however, based strictly on statutory rates Alaska still maintains the highest rate in the nation at 15%. ARCO's lower-48 production company, which owns and operates fields in many of the significant petroleum producing areas utilizes an average severance tax rate of 5% in its financial planning. At the production per well rates quoted by the administration in its earlier testimony none of the fields producing in other states would be economically viable in Alaska so no taxes would be paid in any case.

As the charts used by the Administration in their testimony so clearly point out, snap shot comparisons between Alaska and other

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states or oil producing nations are of questionable use. The comparisons can easily mislead and are dependent on so many variables that they are difficult to accurately quantify. For example: When the administration's bar chart comparing Alaska and Indonesia is reformatted to show percent of revenue as well as gross revenue (Attachment III), it becomes quickly evident that the State of Alaska receives a larger percentage of the available revenue from crude oil production than Indonesia receives. But this bar chart too ignores the differences in capital commitments, concessions by sovereigns, lifting costs, trade restrictions, and many other factors.

It appears that the Administration's Division of Policy best described the usefulness of the nation and state tax comparisons in 1988 in their ELF Policy Perspective when they stated "Differences like these make simplistic comparisons regarding which state has the highest or lowest severance tax of limited use".

Question 13: Oil Companies: Do you have North Sea production? If so, what percent of the total economic rent do you realize from your Alaska production and what percent do you realize from your North Sea production?

Answer: ARCO has no significant North Sea oil production and is therefore unable to adequately respond to this question.

Question 14: Oil Companies: How much profit is being made off of the most productive oil fields in the lower 48 states?

Answer: The profitability of many fields in the lower-48 is unknown to ARCO since we do not have interest in every lower-48 field. Specific profitability data of any particular field in which we have an interest is considered company confidential data and we regret that we cannot share this with you. However, no Lower-48 oil field must cope with a \$7.00 per barrel transportation burden.

Question 15: Oil Companies: How much profit is being made off of the most productive oil fields in other oil-producing countries?

Answer: ARCO Alaska Inc. does not have adequate data for international operations to provide any meaningful insights into this

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issue. We can say however, that the states documentation concerning Indonesia is very misleading because of major differences in wellhead price due to transportation and export restrictions.

Question 16: How much profit is being made off of Prudhoe Bay and Kuparuk oil fields each day?

Answer: Current public data available on the profitability of both the Prudhoe Bay and Kuparuk fields is from Barclays de Zoete Wedd, an independent London Investment House. These figures are provided on Attachment I.

Question 17: Does this include TAPS? If not, what is the profit on TAPS?

Answer: For a look at TAPS profits we would refer you to the TAPS settlement methodology to which the State of Alaska is signatory. The question of TAPS profits is, we submit, irrelevant to the issue of HB-118. The issue of taxes on transportation, which is being discussed here, is an issue that was settled in the development of the TAPS settlement. In any event, since ARCO Alaska's current North Slope production exceeds ARCO Pipeline Company's TAPS capacity, any incremental project oil is shipped through another owners pipeline capacity.

Question 18: What public sources corroborate this? Would you provide materials proving this? Would you provide a detailed list of your revenues and expenses?

Answer: These figures in Barclays de Zoete Wedd are public information and are utilized because they are public information. The public investment community are ultimately the owners of the companies in our industry and their perception as to profitability and/or the value of investments is of paramount concern to our companies. Additional detailed breakdowns of costs and revenues cannot be provided in this public forum because they are considered company confidential for competitive reasons as well as for SEC disclosure purposes.

Question 19: How much profit is made from refined products from Alaskan oil?

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Answer: Profits generated on the refining and marketing of Alaskan source oil are no more or less than those generated on similar quality crude from other sources. Crude oil, whether from an Alaskan or other source, is a commodity which is valued and traded based on quality, location and market conditions. At the same locale, any source crude oil has the same value or cost as any other source similar quality crude oil. No more refining or marketing profit is made on products refined from Alaskan source crude oil than is made on products refined from any other source similar quality crude oil.

Question 20: What did the oil companies of Prudhoe Bay do with the savings made as a result of the tax break occurring on June 20, 1987?

Answer: First as we have previously discussed, the ELF is not a tax break, it is an incentive provided to increase the ultimate amount of crude oil produced in the state. The cumulative reduction in production taxes, relative to a flat 15% rate that accrued from June, 1987 to December, 1988 was \$43MM strictly to ARCO. During that same time frame ARCO has invested \$77MM in capital at Prudhoe. This question does not address the \$3 Billion of investment that was made by the oil industry in the state during 1986 and early 1987 which was in part justified and funded in contemplation of the expiration of the "rounding rule" on Prudhoe Bay in June of 1987.

Question 21: What percent of money grossed by Alaska's oil in Prudhoe Bay and Kuparuk is reinvested in Alaska? How much money is sent outside?

Answer: More than 100% of the last three years net profits of ARCO Alaska Inc. have been reinvested in new fixed assets and exploration in Alaska (i.e. none has gone south).

Question 22: How many jobs are involved in starting up a small oil field? How many jobs are involved in maintaining a small field?

Answer: The marginal projects now being planned for the Kuparuk field over the next five years will require \$1.6 billion and 4000 man years of construction labor to complete. These new wells and facilities will require at least 40 additional operating staff, nearly as many as it takes to operate the entire Lisburne oil field.

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Question 23: How many Alaskans were employed by the oil companies of Prudhoe Bay prior to June 20, 1987 when the tax cut kicked in? How many Alaskans are employed by the oil companies of Prudhoe Bay now?

Answer: As of June 20, 1987 ARCO Alaska had 2,578 employees. At the end of 1988 ARCO Alaska employed over 2,800. These figures however only show half of the picture. The number of employees has increased since the June 20, 1987 date, but of more significance is the fact that 142 of these permanent operating jobs have been created solely due to projects such as the Central Gas Facility and the Kuparuk CPF-3. (This figure does not consider the millions of man hours of construction labor that was created in establishing the facilities). These projects were intended to increase the ultimate production of Alaskan oil and gas and are exactly the type of projects the ELF was intended to stimulate. The majority of Alaskan jobs created through the operation of enhanced recovery projects are attributable to activities at Kuparuk and Prudhoe Bay, the two fields that would be most adversely impacted by the passage of HB-118.

Question 24: What is the long-term effect on Alaskan jobs in Prudhoe Bay and Kuparuk oil fields as a result of this ELF bill?

Answer: The long term impact of passage of HB-118 will be that there will be fewer jobs in Alaska. As question 23 so vividly points out, investment dollars are spent and jobs are created in the fields where the greatest likelihood of additional recovery is found. Those same investment dollars are spent and jobs created not on the basis of a fields profitability, but on the basis of the value of producing the next barrel of oil. At Prudhoe and Kuparuk, HB-118 will only make the next barrel of oil more expensive to produce and therefore it will be less likely to ever be produced. That means there will be more oil left in the ground, fewer oil industry jobs and fewer support industry jobs because there will be fewer facilities to operate.

Question 25: How many Alaskans are employed by the oil companies of the marginal oil fields now? How many Alaskans are likely to be employed by the oil companies of existing marginal oil fields and in developing other oil fields as a result of this ELF bill?

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Answer: Every Alaskan who works in the oil industry works for an oil company that owns an interest in a field where there are marginal projects that would be detrimentally effected by HB-118. The question that needs to be asked is how many jobs will be created under the current ELF that will not be created under HB-118? Enhanced recovery projects at Prudhoe and Kuparuk can provide access to additional recoverable reserves of about twice the recoverable reserves of all the other oil fields in Alaska combined. These additional projects could contribute over 400MM barrels of oil to Alaska's royalty share and would help maintain or create many Alaskan jobs. HB-118 creates an additional roadblock to justifying any of these projects.

Question 26: What is the long-term effect on Alaskan jobs in the smaller oil fields as a result of this ELF bill?

Answer: HB-118 would provide few or no new jobs anywhere in the Alaskan oil industry. More jobs exist at Prudhoe and Kuparuk than at all the other fields in Alaska combined. The negative impact of HB-118 would act to decrease activities at these fields. The long term effect would also be to decrease the number of Alaskan jobs. ARCO Alaska is a major interest owner in both large and small fields in Alaska (as defined by the Administration). These interests places us in an excellent position to assess the effects of HB-118 on jobs. **ARCO Alaska believes this bill will act to decrease the ultimate recovery of Alaskan oil and reduce the number of jobs in Alaska.**

ANS Net Revenue

	<u>Prudhoe</u> \$/bbl	<u>Kuparuk</u> \$/bbl
Assumed Crude Price	14.01	14.01
Tanker Freight	2.70	2.70
Quality Differential	0.00	0.40
TAPS Tariff	3.11	3.11
Kuparuk Pipeline	0.00	0.70
Pipeline Loss	0.10	0.10
Wellhead Price	<u>8.10</u>	<u>7.00</u>
Production Cost and Capital Recovery	<u>2.80</u>	<u>5.43</u>
Total Net Revenue	5.30	1.58
State Royalty	0.93	0.82
Severance Tax	0.89	0.54
Property Tax	0.26	0.44
State Income Tax	0.10	-0.01
Total State	<u>2.17</u>	<u>1.79</u>
Federal Income Tax	<u>1.06</u>	<u>-0.07</u>
Producer Profit	2.06	-0.14

Source:

Barclays de Zoete Wedd, September 1988

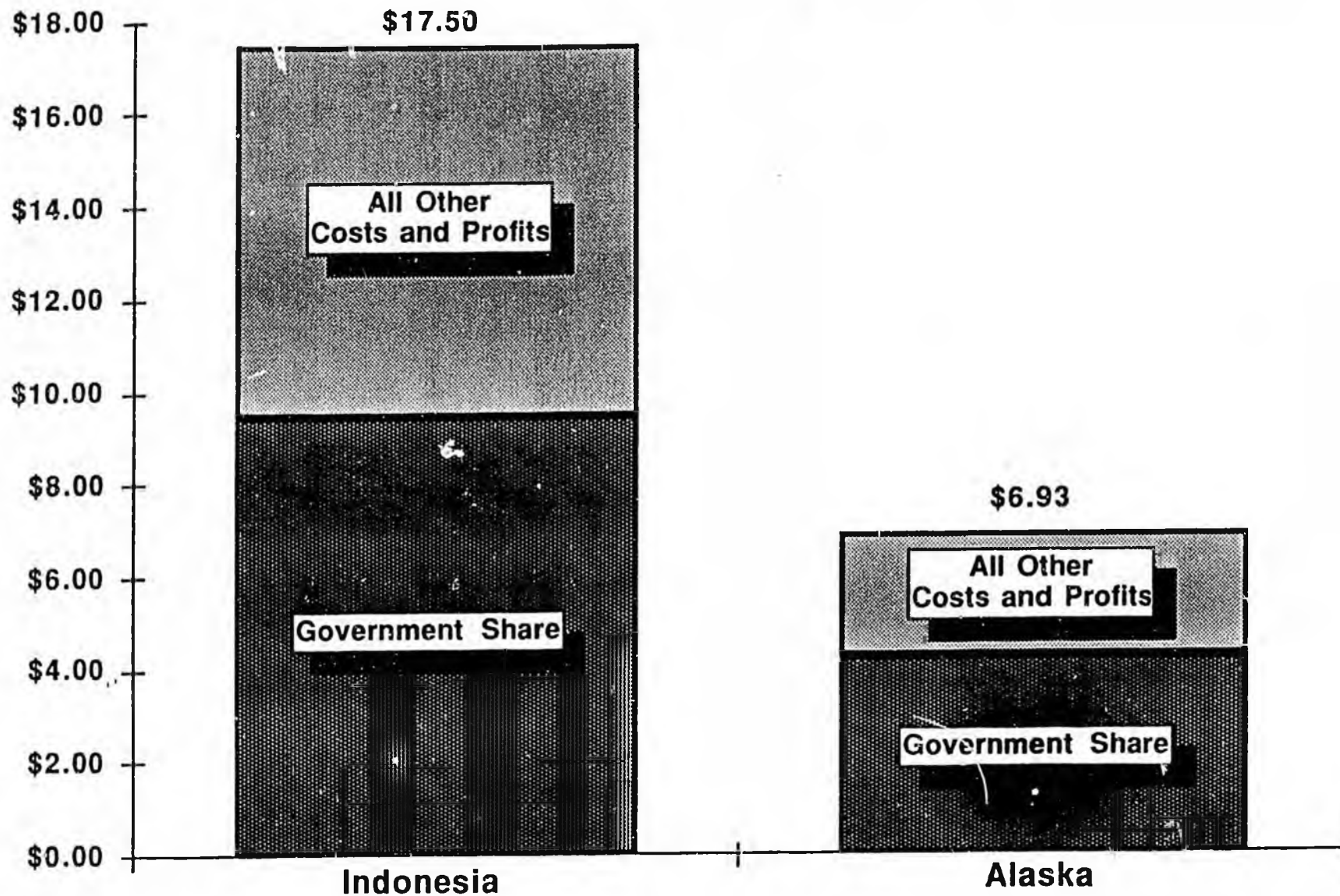
Alaska Department of Revenue October 1988

State of Alaska Royalty and Severance Methodology

APPROXIMATE WORKING INTEREST SUMMARY

Field	State Royalty	ARCO	Exxon	BP	Union	Mobil	Phillips	Chevron	Cities Service	Conoco	Other
Prudhoe (Oil)	.125000	.217800	.217776	.506848		.018916	.018805	.006718			.013137
Prudhoe (Gas)	.125000	.425649	.425648	.138399		.002844	.002629	.004831			
Kuparuk	.125000	.563010	.002180	.387560	.042500	.003660		.001090			
Lisburne	.125000	.400000	.400000	.200000							
Endicott	.140000	.000234	.210206	.567825	.105174				.104840		
Niakuk	.125000			1.000000							
Mine Point	.178250							.180000	.110000	.710000	
Pt. Thompson	.125000	.033400	.393400	.194000		.117000	.103500	.089000		.069700	
Swanson River	.161913	.484864			.015136			.484864		.015136	

Administration's Indonesia Comparison On a Dollar per Barrel Basis



Note: Refer to Administration's testimony; (\$3.1 Billion+2.0 MMBPD, compared to the ADOR wellhead value)

STATE OF ALASKA

PO. BOX 1542
ANCHORAGE, ALASKA 99510.
(907) 337-5811



PO. BOX V
JUNEAU, ALASKA 99811
(907) 485-3875

REPRESENTATIVE WALT FURNACE

MEMORANDUM

TO: Representative Cliff Davidson, Co-Chairman
Representative Curt Menard, Co-Chairman
House Resources Committee

FR: Representative Walt Furnace 

DATE: Feb. 28, 1989

RE: Minority Report on HB 118

Please include with the Resource Committee's report on HB 118 the following minority report, which more fully and completely reflects my concerns about the changes to the Economic Limit Factor (ELF) under this bill.

MINORITY REPORT ON HOUSE BILL NO. 118

This bill proposes to change the statutory formula for the Economic Limit Factor (ELF) in the oil and gas properties production tax. The present ELF formula is based on a field's profitability as measured by its average production per well. The higher the profitability is, the higher the tax becomes under the present ELF. In the proposed formula, the dominant factor will be field size instead of profitability. Despite the many hours of testimony that the Committee heard on this bill, I am still concerned that a

Minority Report on HB 118
February 28, 1989

number of basic questions have not been answered regarding the proposed change.

Should Alaska Rely on Field Size in Computing the Tax Rate?

I am concerned that the proposed bill would create a tax incentive to keep small fields small and to make large fields smaller than they should be. The new ELF formula would make field size a factor in the exponent, where it becomes the most important factor in the formula. With this formula, if new production is added to an existing field, there will be an increase in the tax rate not only on the additional new production, but on all of the existing production as well.

In BP Exploration's letter of February 22, 1989, we were given an example of how this would occur. For a 100,000 barrel-a-day field with 100 wells, the ELF would be 0.514701 and the tax rate would be 7.72%. If another well were added with the same average daily production (1,000 barrels a day), the new ELF would be 0.519903, making the tax rate 7.80%. This does not sound like a big increase, but because the higher rate applies to all 100,000 barrels a day of the existing production as well as the additional 1,000 from the new well, the increase in tax represents 15.60% of the value of the new production. Thus, the effective tax rate on the extra production would be *twice* the rate prevailing before the well is drilled. A person does not have to understand all the intricacies of the ELF in order to understand that such a tax scheme will frustrate people's development plans and leave valuable oil in the ground that could otherwise be produced.

Will HB 118 Help Truly Marginal Fields?

The Committee received uncontradicted testimony that, in terms of the dollars paid out per dollar invested, the most profitable field in Alaska's history has been a field in Cook Inlet that never reached 120,000 barrels a day at its peak. Yet for all of this field's life, HB 118 would have reduced its tax rates from what they would be with the present ELF. This seems to be leaving something on the table that the State should not be leaving for fields that are highly profitable but which happen to be small.

The Committee was also told that the new ELF in HB 118 would help Milne Point. Again, we received uncontradicted testimony that for the last half of the time Milne Point was in production, the present ELF laws had allowed the tax rate to be reduced to zero. HB 118 would repeal the rebuttable presumption that allowed this to happen. Instead, with HB 118,

Minority Report on HB 118
February 28, 1989

Milne Point will always have *some* tax to pay until its average production falls below 300 barrels a day per well. Based on the \$7.36 wellhead price in the Administration's Revenue Forecast, Milne Point will pay almost \$20,000 a year in production tax under HB 118.

Are the Administration's Numbers Reliable?

I am highly disturbed by the apparent misinformation that the Administration has advanced in support of HB 118. The following examples illustrate the type of thing I mean:

1. On the first day of testimony, the Commissioner of Revenue handed out several packets of materials. One of these had as its first page a graph with the title, "The Tax Rate on Prudhoe Bay Has Dropped Sharply." The third page of that packet gives the production tax as 13.1% during the 1982-1987 period, despite the fact that it was actually 15%. You can get to a 13.1% rate only by including the State's own one-eighth royalty share of the production, but State royalty is exempt from the tax.
2. During the "debate" last Wednesday evening, Mr. Erickson said HB 118 would only cost 15 cents out of a \$15 value of the oil in Valdez. First, the tax will be more like 30 cents than 15. More serious, however, was the sudden increase in oil prices that Mr. Erickson made up for the occasion. The weighted average North Slope oil price in the Administration's Revenue Forecast (at page 20) is only \$12.45, and that's for Alaskan oil *delivered* to the West and Gulf Coasts. Netted back to Valdez this is about \$11. If oil prices went up \$4 a barrel over the forecast and stayed there, the State would have the revenue it needs to balance the budget and we probably wouldn't be talking about the ELF at this time.
3. The Administration testified that HB 118 would lower the threshold oil price by \$2 a barrel for bringing marginal fields into production. In other words, they said a marginal field would be profitable under HB 118 at a price \$2 lower than they would need with the present ELF. This was contradicted by industry testimony. In light of the fact that there will be a substantial delay between the time a commitment must be made to develop a marginal field and the time that field comes into production, plain common sense suggests that it would be unlikely for the tax change to have such a large impact on the price needed for the project to go forward. The Administration has not shared any details of its calculation. It has also failed to present any information about how large a field would have to be in ANWR, for example, before it would be economic to build the transportation

Minority Report on HB 118
February 28, 1989

infrastructure necessary to tie that field into TAPS so the oil can get to market.

4. The Administration said that the cumulative impact of the 1981 legislation has been a reduction of one billion dollars. It has failed to make clear that a third of this figure is based on the assumption that the federal windfall profits tax did not have to be allowed as a deduction under the old separate accounting income tax. The legal opinion at the time in 1981 was that such a deduction was necessary in order to preserve separate accounting against the constitutional challenge that had been brought against it.

5. The Administration said that the new ELF formula in the bill is the formula they meant. However, they said that the effect of the bill would be a benefit for fields under 150,000 barrels a day in size. There has been no explanation to reconcile this 150,000 figure with the effects of HB 118. The repeal of the "rounding" rule would benefit fields of any size -- even as big as Prudhoe Bay. The new formula will lower taxes for small fields producing less than 113,507 barrels a day. How does either effect tie in to the 150,000 figure? The explanation offered by industry -- that the parentheses are in the wrong place in the formula -- is more plausible at this point than the Administration's explanation. Can it be we are being asked to adopt the wrong formula simply because the Administration is embarrassed to admit there was a mistake in it?

Conclusion.

Because of these and other questions which still have not been answered to my satisfaction, I have serious misgivings about House Bill No. 118 and the formula it contains. Therefore, I recommend "DO NOT PASS" to you and my other colleagues in the Legislature regarding the original version of this bill and the draft Committee Substitute for it that is being considered by the Resources Committee.

HB

124

HOUSE COMMITTEE REPORT

3/31

(9)

Date Referred: January 27, 1989

FURTHER REFERRALS: FINANCE

Date of Committee Action: 3-23-89

The RESOURCES Committee recommends that:

HOUSE BILL NO. 124 [INCREASE SPORT FISHING/HUNTING LIC. FEES]
"An Act relating to sport fishing and hunting licenses and to big game tags; and providing for an effective date."

[] be replaced with CSHB 124 (RES) [] the same title
[] a new title

[] have attached amendment(s)

- [] do pass
- [] do not pass
- [] no recommendation
- [] individual recommendations
- [] additional referral to the _____ Committee

ADOPTS: _____ letter of intent

ATTACHES NEW FISCAL NOTE(S):

- 2 [] fiscal impact ^{Corrected H6124 for G}
CSHB 124 for G
- [] zero fiscal note
- [] zero with analysis

APPROVES PREVIOUS:

- [] fiscal note(s) published: _____
- [] zero fiscal notes(s) published: _____

SIGNING DO PASS:

Committee Member

Chairman

[Signature]

SIGNING OTHER THAN DO PASS:
(Do Not Pass, No Recommendation, Amend)

Will be

Do Not Pass

Do Not Pass

Needs an amendment

[Signature]

Chairman's signature

FISCAL NOTE

REQUEST:

Revision Date: 03-28-89
 Title: An Act relating to sport fishing, trapping and hunting...
 Sponsor: Governor Cowper
 Requestor: _____

Agency Affected: Fish and Game
 BRU: Sport Fish. Wildlife Conservation Administration
 Components: _____

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 89	FY 90	FY 91	FY 92	FY 93	FY 94
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING						
CAPITAL						
REVENUE		948.1	3388.5	3765.0	3765.0	3765.0

FUNDING: (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER Fish & Game		948.1	3388.5	3765.0	3765.0	3765.0
TOTAL						

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS : (Attach a separate page if necessary)

See enclosed.

Prepared by: Beverly Reaume *Beverly Reaume* Phone: 465-4120
 Division: Administration Date: 03-28-89

Approved by Commissioner: [Signature] Date: 3/28/89
 Agency: Fish and Game

Distribution (by preparer):

- Legislative Finance
- Legislative Sponsor
- Requestor
- Office of Management and Budget
- Impacted Agency(ies)

C5HB124
* ASSUMPTIONS FOR LICENSE FEE FISCAL NOTE

	FY88 ACTUALS		ANNUAL VALUE AT CURRENT FEE	ANNUAL VALUE AT INCREASED FEE	FY90 INCREASE (PARTIAL YEAR)	FY91 INCREASE
RESIDENT	%JAN-JUN					
HUNT	67262	42.1%	807144	1651550	355378	844406
HUNT/TRAP	8362	62.4%	167240	334480	104280	167240
TRAP	1155	52.6%	11550	17325	3040	5775
FISH	161409	41.7%	1614090	2421195	336405	807045
FISH FARM	2	0	400	800	0	400
FUR DEALER	35	48.6%	3500	5250	850	1750
TAXIDERMY	36	75.0%	5400	7200	1350	1800
GAME BIRD FARM	7	100.0%	140	350	210	210
NONRESIDENT						
HUNT	8106	15.1%	486360	689010	30625	202650
HUNT/TRAP	50	15.1%	10000	12500	378	2500
FUR DEALER	1	0.0%	400	500	0	100
TAXIDERMY	3	66.7%	1200	1500	200	300
ALIEN HUNT	-	15.1%	-	90000	13590	90000
TAGS		14.4%	2898120	3417050	74726	518930
FISH	18154	23.7%	653544	907700	60158	254156
FISH 14 DAY	58413	7.8%	1168260	1752390	45310	584130
FISH 3 DAY	56723	9.5%	567230	850845	26900	283615
TOTALS			8394578	12159585	1053400	3765007
 					948060	3388506
ASSUME THE HIGHER FEE WILL CAUSE A 10% REDUCTION IN SALES						
DIVISION OF WILDLIFE CONSERVATION					526164	1652095
SPORT FISH DIVISION					421896	1736051

* .25 LICENSES AND DUPLICATES WERE LEFT OUT OF THESE CALCULATIONS

Hunting license and tag fees for comparable hunts by nonresidents
(In Canadian \$)

	Hunting License (nonres/alien)	Moose Tag	Grizzly Bear Tag	Sheep Tag	Total
Alaska (present)	\$60	\$300	\$350	\$400	\$1110
Alaska (proposed)	\$85	\$400	\$425	\$425	\$1335
Alberta	\$15 ^a	\$220	\$275	\$275	\$785
British Columbia	\$118	\$120	\$320	\$300	\$858
Yukon Territory ^b	\$150	\$155	\$525	\$260	\$1090

All three provinces require guides to hunt any big game

^a wildlife certificates

^b Yukon Territory tag fees payable only if game is taken

Comparable Costs of Hunts Elsewhere (from March/April Safari Magazine)

China	Argali sheep	\$34,900 ^a
China/Mongolia	Asian wapiti	\$3,295 ^a
USSR	Siberian Snow Sheep	\$15,000 ^b
	Saiga antelope	\$3,695 ^b
Spain	Fallow deer	\$2,300 ^a
	Red deer	\$3,900 ^a
Zimbabwe	Zebra, Cape buffalo, Sable and Kudu	\$15,000 ^a
Australia	Water buffalo	\$2,700 ^a
Botswana	Cape buffalo and Lechwe	\$10,000 ^a

^a airfare not included

^b cost from Moscow

STATE OF ALASKA

DEPARTMENT OF FISH AND GAME

OFFICE OF THE COMMISSIONER

STEVE COWPER, GOVERNOR

P.O. BOX 3-2000
JUNEAU, ALASKA 99802-2000
PHONE: (907) 465-4100

March 22, 1989

The Honorable Cliff Davidson, Co-Chairman
The Honorable Kurt Menard, Co-Chairman
House Resources Committee
P.O. Box V
Juneau, AK 99811

Dear Representatives Davidson and Menard:

At the Resources Committee Hearing of March 21, you asked that I respond briefly in writing to the position statement presented by the Alaska Outdoor Council (AOC) regarding House Bill 124. The Department wishes to respond to the AOC position statement in the order in which the Council has presented its comments.

In paragraph 3, the Council discusses alternative funding sources and several other subjects which ADF&G has been discussing with AOC board members in recent months. The department is presently reviewing several options for alternative funding sources, including establishment of a trust fund, special license decals for nonconsumptive users, and the potential for a volunteer program which might help the department reduce costs on certain projects. The department presently does identify expenditures for nonconsumptive user programs such as furbearer management, McNeil River Bear Sanctuary and Round Island Walrus Preserve. Those items are clearly identified within the budget structure of the Division of Wildlife Conservation.

The Council position statement lists three conditions under which its membership would support HB 124. The department wishes to address these in the following manner:

1. The fees as originally proposed in House Bill 124 were reached after a great deal of deliberation by the department. While they are higher than neighboring Canadian provinces, we do not feel they are so high as to discourage big game hunters wishing to visit our state. The precedent for establishing higher fees for nonresident hunters has long been recognized. We have discussed the fee structure proposed in HB 124, with knowledgeable hunters and guides. In addition, the Alaska Board of Game recently went on record as supporting HB 124 as it is written. The Southeast Regional Council, made up of more than a dozen Fish and Game Advisory Committees and the Alaska Sport Fishing Association have gone on record supporting HB 124 as it is written.

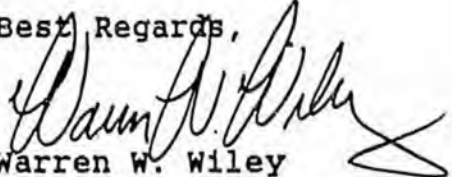
The Honorable Clif Davidson -2-
The Honorable Kurt Menard

March 22, 1989

2. The department has worked closely with the Senate Resources Committee in developing CSSB 30, which address concerns regarding the 25-cent low income license. In recent days the department has attended hearings conducted by the Senate Finance Committee regarding CSSB 30, and we are presently working with that committee to address concerns the committee raised about how to best resolve what many see as a licensing problem. It appears there is a good possibility the Senate Finance Committee working with ADF&G will be able to develop language which will resolve the acknowledged abuses to the program in a manner which will not unfairly burden those Alaskans who generally need the relief granted to them through a low income license.
3. It is important to understand that ADF&G does not manage fish and game resources for any particular group of Alaskans. The resource is managed to assure a sustainable yield that will permit a reasonable harvest by all users. Programs are not developed nor funded based on a specific user group. It also must be recognized that a subsistence hunter contributes just as much to the Pitman-Robertson Fund as does a nonsubsistence hunter since both pay a federal excise tax on ammunition, fire arms, and associated hunting equipment. The department manages resources for a variety of user groups, and the Board of Game makes the decisions on who will harvest surpluses. A subsistence game hunter must also have a valid hunting license.

The department is aware of, and understands, the concerns of the AOC, and over the past several months we have worked with the Council to develop HB 124 to its present form. In response to concerns expressed by Council board members the department changed, readjusted, and deleted portions of an earlier draft in an attempt to address the concerns of the AOC. Clearly, we were not able to resolve all of these differences but I believe the working relationship we have developed with the Council and its member organizations will permit us to continue working in harmony toward resolutions of some of the philosophical and policy differences which might yet exist. We know the AOC and its member organizations understand the need for increased funding to the Department of Fish and Game and we appreciate their support.

Best Regards,


Warren W. Wiley
Assistant Commissioner

LICENSE SALES FOR 1988

APPROX. 75% COMPLETE

CITY NAME	COUNT
AKIAK	24
ALAKANUK	128
ALEXANDER CREEK	199
ALLAKAKET	34
AMBLER	30
ANAKTUVUK PASS	60
ANCHOR POINT	956
ANCHORAGE	82,142
ANGOON	364
ANIAK	312
ANVIK	62
ARCTIC VILLAGE	10
AUKE BAY	2,877
BARROW	48
BEAVER	5
BETHEL	2,002
BETTLES FIELD	155
BIG LAKE	589
BUCKLAND	8
CANADA Y1A 2B4	144
CANADA Y1A2T5	461
CANTWELL	207
CHALKYITSIK	15
CHEVAK	16
CHIGNIK	295
CHITINA	143
CHUGIAK	312
CIRCLE	51
CLAM GULCH	203
CLARKS POINT	198
CLEAR	161
COLD BAY	240
COOPER LANDING	2,265
COPPER CENTER	424
CORDOVA	3,503
CRAIG	941
DEERING	29
DELTA JUNCTION	1,752
DENALI NATIONAL PARK	82
DILLINGHAM	3,225
EAGLE	139
EAGLE RIVER	7,254
EGEGIK	528
EIELSON A F B	3,335
ELFIN COVE	248
ELIM	58
ELMENDORF A F B	7,856
EMMONAK	31
FAIRBANKS	18,346
FALSE PASS	68
FORT RICHARDSON	3,572
FORT WAINWRIGHT	2,697
FORT YUKON	85

CITY NAME	COUNT
FORTUNA LEDGE	64
GAKONA	599
GALENA	437
GIRDWOOD	288
GLENNALLEN	1,661
GRAYLING	33
GUSTAVUS	990
HAINES	3,901
HEALY	285
HOMER	13,145
HOONAH	758
HOPE	255
HOUSTON	626
HUSLIA	60
HYDABURG	45
HYDER	411
ILIAMNA	657
JUNEAU	15,309
KAKE	268
KAKTOVIK	7
KARLUK	39
KASIGLUK	2
KASILOF	1,560
KENAI	9,388
KETCHIKAN	18,403
KIANA	29
KING COVE	393
KING SALMON	3,576
KLAWOCK	890
KODIAK	11,613
KOTLIK	111
KOTZEBUE	601
KOYUK	96
KOYUKUK	65
KWETHLUK	136
LAKE MINCHUMINA	18
LARSEN BAY	121
MANLEY HOT SPRINGS	78
MANOKOTAK	85
MC GRATH	177
MEKORYUK	71
METLAKATLA	84
MEYERS CHUCK	66
MINTO	49
MOUNTAIN VILLAGE	273
NAKNEK	1,420
NAPAKIAK	104
NENANA	446
NIKISKI	546
NIKOLAI	8
NINILCHIK	1,882
NOATAK	218
NOME	1,598

CITY NAME	COUNT
NOORVIK	57
NORTH POLE	2,461
NORTHWAY	132
NULATO	102
NUNAPITCHUK	81
OUZINKIE	52
PALMER	3,612
PEDRO BAY	116
PELICAN	425
PETERSBURG	3,857
PILOT POINT	88
PILOT STATION	65
PLATINUM	90
POINT BAKER	94
PORT ALEXANDER	62
PORT ALSWORTH	184
PORT HEIDEN	104
PORT LIONS	139
PRUDHOE BAY	137
QUINHAGAK	147
RED DEVIL	86
RUBY	82
RUSSIAN MISSION	95
SAINT MARYS	242
SAINT MICHAEL	88
SALCHA	476
SAND POINT	687
SEATTLE	1,742
SELDOVIA	446
SEWARD	4,436
SHAGELUK	10
SHAKTOOLIK	57
SHISHMAREF	21
SITKA	7,870
SKAGWAY	581
SKWENTNA	325
SLEETMUTE	57
SOLDOTNA	19,169
SOUTH NAKNEK	518
STERLING	2,231
STEVENS VILLAGE	15
SUTTON	47
TAKOTNA	20
TALKEETNA	977
TANANA	81
TELLER	51
TENAKEE SPRINGS	101
THORNE BAY	586
TOGIAK	96
TOK	2,805
TOKSOOK BAY	215
TRAPPER CREEK	174
TUNTUTULIAK	52

CITY NAME	COUNT
TUNUNAK	2
UNALAKLEET	502
UNALASKA	2,689
VALDEZ	4,519
VENETIE	21
WAINWRIGHT	17
WALES	27
WARD COVE	117
WASILLA	14,336
WHITE MOUNTAIN	1
WHITEHORSE YUKON YIA 1J1	513
WILLOW	1,057
WRANGELL	2,646
YAKUTAT	1,709

STEVE COWPER
GOVERNOR



STATE OF ALASKA
OFFICE OF THE GOVERNOR
JUNEAU

cc
FB124

January 27, 1989

The Honorable Sam Cotten
Speaker of the House
Alaska State Legislature
P.O. Box V
Juneau, AK 99811

Dear Mr. Speaker:

Under the authority of art. III, sec. 18, of the Alaska Constitution, I am transmitting a bill relating to sport fishing and hunting licenses. This bill would raise the cost of a resident sport fishing license by \$5. Making a new distinction, the cost of a resident hunting license would be raised \$3 for small game, and \$13 for big game. The combination hunting and trapping license fee would be raised by \$13. The cost of two other combination licenses covering both sport fishing and hunting would be raised by \$18.

The bill would also raise nonresident sport fishing and hunting license fees by amounts ranging from \$5 to \$39, establish a new nonresident small game hunting license and raise nonresident tag fees on 13 species of big game. Finally, the bill would establish new nonresident alien hunting licenses, with a fee of \$300, and establish nonresident alien big game tags for 14 species, at rates higher than the nonresident tag fees.

These increases would generate additional revenue to help offset the escalating costs of managing the State's fish and wildlife resources, and would provide for expansion of some existing programs. Present technology still requires labor-intensive activities to acquire the necessary data for proper, effective management, and operational costs of the Department of Fish and Game (ADF&G) are expected to rise in order to meet those demands.

Money received from the sale of state sport fishing and hunting licenses is deposited in the Fish and Game Fund, which was created at statehood and is described in AS 16.-05.100 and 16.05.110. As a dedicated fund, it is addressed

by the Alaska Constitution in art. IX, sec. 7:

The proceeds of any state tax or license shall not be dedicated to any special purpose, except as provided in section 15 of this article [the Permanent Fund] or when required by the federal government for state participation in federal programs. This provision shall not prohibit the continuance of any dedication for special purposes existing upon the date of ratification of this section by the people of Alaska.

(Emphasis added.) The Fish and Game Fund was created after the date of ratification of art. IX, sec. 7 of the Alaska Constitution. However, it is protected under the federal-government-requirement exemption. A federal regulation, 50 C.F.R. 80.2, adopted under the Pittman-Robertson Act, 16 U.S.C. 669 -- 777k, prohibits "diversion" of fees collected from the sale of fishing and hunting licenses to purposes other than administering the State's fish and wildlife agency. This is a precondition to participation in federal fish and game grant programs. Since the federal law provides matching money for revenue from the sale of fishing and hunting licenses, and does not specify the cost of those licenses, no problem of inconsistency with the federal requirement and thus no problem with the constitutional provision on dedicated funds will be encountered if these license fees are raised. The fees for both types of resident licenses have been increased only once since statehood. In 1977, sport fishing license fees were increased from \$5 to \$10 and hunting license fees were increased from \$7 to \$12.

P.L. 98-369, July 18, 1984, expanded the Dingell-Johnson Act to make additional federal matching money available to the State. Some of this money will be earmarked for motor boating and support facilities, and additional State matching money will be required to optimize use of this three-for-one money for capital projects.

With respect to the proposed new license and tag fees for nonresident aliens, the significantly higher fees can be justified because United States citizens, as a class, bear a greater proportion of the costs of fish and game management through payment of federal taxes (including Pittman-Robertson matching grants) than do nonresident aliens, who for the most part do not make the same tax contributions. In addition, enforcement actions against nonresident alien hunters cost significantly more than enforcement actions against residents of the United States outside of Alaska.

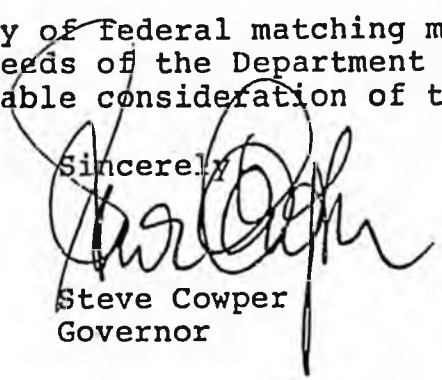
The Department of Law has advised that under the reasoning of Baldwin v. Fish and Game Comm., 436 U.S. 371 (1978), such fee differentials would be unlikely to pose equal protection problems under the Fourteenth Amendment to the United States Constitution, because the nonresident aliens are differently situated with respect to bearing both management and enforcement costs than are United States residents.

The higher fees for nonresident aliens will bring Alaska closer to other big game hunting areas of the world, which regularly charge much higher fees for individuals not resident in those countries. The proposed fees for nonresident aliens set out in this bill would thus still maintain Alaska's competitive edge, by being significantly less than fees charged by other countries to hunt similar species.

The bill has a delayed effective date of January 1, 1990, because hunting and fishing licenses are issued on a calendar-year basis.

In light of the availability of federal matching money, and the increasing management needs of the Department of Fish and Game, I urge your favorable consideration of this bill.

Sincerely,



Steve Cowper
Governor

FISCAL NOTE

REQUEST:

Revision Date: _____ Agency Affected: Fish and Game
 Title: An Act relating to sport fishing
and hunting licenses and to big game tags. BRU: Sport Fish, Game
 Sponsor: Rules Components: Sport Fish, Game
 Requestor: Governor

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 89	FY 90	FY 91	FY 92	FY 93	FY 94
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING						

CAPITAL						
---------	--	--	--	--	--	--

REVENUE	0	816.2	2753.7	3059.6	3059.6	3059.6
---------	---	-------	--------	--------	--------	--------

FUNDING: (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER Fish & Game	0	816.2	2753.7	3059.6	3059.6	3059.6
TOTAL						

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS : (Attach a separate page if necessary)

See attached.

Prepared by: Beverly Reaume *Beverly Reaume* Phone: 465-4120
 Division: Administration Date: 12/01/88
 Approved by Commissioner: Don W. Collinsworth *Don W. Collinsworth* Date: 12-2-88
 Agency: Fish and Game

Distribution (by preparer):
 Legislative Finance
 Legislative Sponsor
 Requestor
 Office of Management and Budget
 Impacted Agency(ies)

* ASSUMPTIONS FOR LICENSE FEE FISCAL NOTE

	FY88 ACTUALS		ANNUAL VALUE AT	ANNUAL VALUE AT	FY90	FY91
RESIDENT	%JAN-JUN		CURRENT FEE	INCREASED FEE	INCREASE (PARTIAL YEAR)	INCREASE
HUNT	67262	42.1%	807144	1651550	355378	844406
HUNT/TPAP	8362	62.4%	167240	250860	52140	83620
TRAP	1155	52.6%	11550	11550	0	0
FISH	161409	41.7%	1614090	2421135	336405	807045
NONRESIDENT						
HUNT	8106	15.1%	486360	689010	30625	202650
FISH	18154	23.7%	653544	907700	60158	254156
FISH 14 DAY	58413	7.8%	1168260	1752390	45310	584130
FISH 3 DAY	56723	9.5%	567230	850845	26900	283615
TOTALS			5475418	8535040	906916	3059622
ASSUME THE HIGHER FEE WILL CAUSE A 10% REDUCTION IN SALES					816225	2753660
DIVISION OF WILDLIFE CONSERVATION					394329	1017608
SPORT FISH DIVISION					421896	1736051

* .25 LICENSES AND DUPLICATES WERE LEFT OUT OF THESE CALCULATIONS

PUBLIC OPINION MESSAGE

DEAR: REPRESENTATIVE DAVIDSON

NAME: DENNIS CONFER
 TITLE:
 ADDRESS: 2509 KILKENNY CIRCLE
 CITY: ANCHORAGE
 PHONE: 338-3099
 BILL NO: HB 124
 SUBJECT: INCREASE SPORT FISHING/HUNTING LIC. FEES
 MESSAGE: BILL SEEMS REALISTIC BUT, COMBINED WITH SB 140 - BIG GAME CONSERVATION FEES AND COMMERCIAL USE FEES, COSTS INCREASE FOR NON-RESIDENTS DETER TOURISM, HUNTING. OVERALL RESULTS: LESS REVENUE TO STATE AND BUSINESSES. MOOSE FEES INCREASE OVER 60 PERCENT, HIGHEST FEES IN U.S. AND CANADA.

ZIP: 99504

POMID: 03103812
 DATE: 02/28/89
 TIME: 10:38:12
 LIONAME: ANCHORAGE LIO

COPIES: REPRESENTATIVES REPRESENTATIVES SENATORS

BARNES	BOUCHER	COGHILL
BROWN	COLLINS	SZYMANSKI
COTTEN	DONLEY	UEHLING
ELLIS	FURNACE	FAIKS
GRUENBERG	HANLEY	PEARCE
LEMAN	MARTIN	POURCHOT
PETTYJOHN	PHILLIPS	KELLY
ZAWACKI	BOYER	KERTTULA
SPOHNHOLZ	MENARD	RODEY
JACKO	FOSTER	STURGULEWSKI
NAVARRE	SHARP	HALFORD
HUDSON	DAVIS, M.	FAHRENKAMP

PUBLIC OPINION MESSAGE

DEAR: REPRESENTATIVE DAVIDSON

NAME: DON QUARBERG
 TITLE:
 ADDRESS: P.O. BOX 349
 CITY: DELTA JUNCTION, AK
 PHONE: 895-4215
 BILL NO: HB 124
 SUBJECT: INCREASE SPORT FISHING/HUNTING LIC. FEES
 MESSAGE: THIS BILL DOES NOT JUSTIFY THE COST INCREASE THAT SPORTSMEN MUST BEAR REJECT THIS BILL AND SUPPORT THE REPEAL OF THE MUCH ABUSED 25¢ LICENSE. THANK YOU.

ZIP: 99737

POMID: 02122603
 DATE: 03/01/89
 TIME: 12:26:03
 LIONAME: DELTA JUNCTION LIO

COPIES: REPRESENTATIVES SENATOR

SHULTZ	COGHILL
MENARD	
JACKO	
FOSTER	
NAVARRE	
FURNACE	
SHARP	
HUDSON	
DAVIS, M.	

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ALASKA OUTDOOR COUNCIL, INC.

3780 MCGINNIS DR. JUNEAU, AK 99801
(907) 789-3450

POSITION STATEMENT ADF&G LICENSE INCREASES

HB 124

March 21, 1989

The Alaska Outdoor Council has adopted a final position on HB 124 dealing with proposed Alaska Department of Fish and Game license increases.

This issue has been before the legislature for the past two years. During that time there has been considerable communications between Alaskan sportsmen and outdoor user organizations and the Alaska Department of Fish and Game. Numerous concerns expressed by the Council were addressed by the Department before the beginning of the legislative session.

The Alaska Outdoor Council is appreciative of the Department's efforts to improve relations with the Outdoor users. We are, however, still concerned about alternative funding sources for the Department, long range planning, neglected active management programs in the Interior, prioritizing expenditures and the identification of expenditures to non-consumptive user programs. We fully intend to continue working with the Department on these issues.

The membership of the Alaska Outdoor Council recognizes that the Alaska Department of Fish and Game needs additional funds for the Divisions of Wildlife Conservation and Sport Fish. We are concerned that these increases, however, benefit the users carrying a majority of the fish and wildlife management financial burden in the State.

The Alaska Outdoor Council can support HB 124 if three basic modifications are made:

1. Maintain the non-resident alien fees at the same level as the non-resident fees. The Council is concerned that the proposed non-resident alien fees will price Alaska out of the market which will result in less fees from non-residents rather than larger total fees.

2. Amend 16.05.340 (a) (6) to delete:

However, the fee is 25 cents for an applicant who is the head of a family or a dependent member of that family, or who is solely self supporting, upon proof

presented by the applicant that the applicant

(A) is obtaining or has obtained assistance during the preceding six months under any state or federal welfare program to aid the indigent, or

(B) has an annual family gross income of less than \$5,600 for the year preceding application.

3. Amend 16.05.340 to add new section (f):

(1) Alaska Fish and Game Funds and Federal matching funds from the Pittman-Robertson, Dingell-Johnson/Wallop-Breaux programs cannot be used to finance subsistence uses of fish and wildlife nor for the management of fish and wildlife for subsistence purposes.

(2) If a State agency knowingly violates the provisions in (1), the fish and game license structure in AS 16.05.340 will revert to that which existed in 1988.

16.05.251

§ 16.05.340

FISH AND GAME

§ 16.05.407

Sec. 16.05.340. License and tag fees.

Cross references. — For moratorium until July 1, 1990, and related provisions, on issuance, for construction or operation of a commercial finfish farm, of a fishing license (a)(14) of this section or a collec-

tion permit under (b) of this section, see ch. 70, SLA 1987, as amended by sec. 21, ch. 145, SLA 1988, in the Temporary and Special Acts.

Sec. 16.05.346. Permit applications.

Postponed repeal and reenactment. — Section 2, ch. 118, SLA 1984, which repealed and reenacted this section effective August 1, 1989, was repealed by sec.

2, ch. 149, SLA 1988. Consequently, the text of the note following the heading "Postponed repeal and reenactment" in the main pamphlet should be disregarded.

Sec. 16.05.370. Reports by licensees, tag holders, and transporters. (a) The commissioner of fish and game may require a report to be made by each licensee concerning the time, manner, and place of taking fish and game, the kinds and quantity taken, and other information helpful in administering the fish and game resources of the state.

(b) A person who sells big game tags shall give to each buyer a game report form provided by the department, to be completed and returned by the hunter after big game is taken. The department shall pay the cost of return postage for the report. The report must specify the location, amount, and kinds or species of game taken.

(c) A person who transports big game from the field for compensation shall, within seven days after providing the transportation, notify the department of the amount and kinds or species of game transported. (§ 4 art II ch 94 SLA 1959; am § 4 ch 31 SLA 1963; am § 8 ch 160 SLA 1988)

Effect of amendments. — The 1988 amendment, effective June 17, 1988, added subsections (b) and (c).

Sec. 16.05.407. Nonresident hunting big game animals must be accompanied. (a) It is unlawful for a nonresident to hunt, pursue or take brown bear, grizzly bear, polar bear, or sheep in this state, unless personally accompanied by

(1) a person who is licensed as a master guide, registered guide, class-A assistant guide or assistant guide by the Guide Board; or

(2) a resident over 19 years of age who is

(A) the spouse of the nonresident; or

(B) is related to the nonresident, within and including the second degree of kindred, by marriage or blood.

(b) An applicant for a nonresident big game tag for the taking of an animal specified in (a) of this section shall first furnish to the state, on a form provided by the state, an affidavit showing that the applicant

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(d) Elk imported, exported, or possessed for the purpose of elk farming are subject to the provisions of AS 03 and regulations adopted under AS 03 by the commissioner of natural resources or the commissioner of environmental conservation for domestic animals and livestock, to the extent they are made applicable to elk by the commissioners.

(e) In this section, "lawfully owns" means ownership that was obtained without violating a state or federal law or regulation, or a condition of a license or permit issued with respect to game. (§ 3 ch 88 SLA 1987)

Sec. 16.05.335. Complimentary licenses. The commissioner of revenue shall annually, at the request of the governor, provide the governor with not more than 50 complimentary fishing and hunting licenses and appropriate big game tags which the governor may distribute to distinguished visitors to Alaska for their use in any one season during their visits to the state. The complimentary license for sport fishing or hunting or both shall be inscribed by the governor with the inclusive dates for its authorized use. The governor shall advise the department on any complimentary issuances, which information shall be available to the public. (§ 1 art II ch 94 SLA 1959; am § 1 ch 61 SLA 1962; am § 1 ch 31 SLA 1963; am § 1 ch 6 SLA 1965)

Sec. 16.05.340. License and tag fees. (a) Fees for licenses and tags are as follows:

- (1) Resident sport fishing license \$ 10
However, the fee is 25 cents for a resident who is blind.
- (2) Resident hunting license 12
- (3) Resident hunting and trapping license 22
- (4) Resident trapping license 10
- (5) Resident hunting and sport fishing license 22
- (6) Resident hunting, trapping, and sport fishing license 32
However, the fee is 25 cents for an applicant who is the head of a family or a dependent member of that family, or who is solely self-supporting, upon proof presented by the applicant that the applicant
(A) is obtaining or has obtained assistance during the preceding six months under any state or federal welfare program to aid the indigent, or
(B) has an annual family gross income of less than \$5,600 for the year preceding application.
- (7) Nonresident special sport fishing license — valid for the period inscribed on the license
(A) For 14-day license \$ 20
(B) For three-day license 10
- (8) Nonresident sport fishing license 36
- (9) Nonresident hunting license 60

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(10) Nonresident hunting and sport fishing license 96
A nonresident may not take a big game animal without previously purchasing a numbered, nontransferable, appropriate tag, issued under (15) of this subsection. The tag must be affixed to the animal immediately upon capture and must remain affixed until the animal is prepared for storage, consumed, or exported. A tag issued but not used for an animal may be used to satisfy the tagging requirement for an animal of any other species for which the tag fee is of equal or less value.

(11) Nonresident hunting and trapping license \$ 200

(12) Fur dealers:

(A) Resident fur dealer biennial license 100

(B) Nonresident fur dealer biennial license 400

(13) Taxidermists:

(A) Resident taxidermy biennial license 150

(B) Nonresident taxidermy biennial license 400

(14) Fish farming biennial license 200

(15) Nonresident big game tags:

(A) Bear, black, each 200

(B) [Repealed, § 1 ch 268 SLA 1976.]

(C) Bear, brown or grizzly, each 350

(D) Bear, polar, each 500

(E) Bison, each 350

(F) Caribou, each 300

(G) Deer, each 135

(H) Elk, each 250

(I) Goat, each 250

(J) Moose, each 300

(K) Sheep, each 400

(L) Walrus, each 500

(M) Wolf, each 150

(N) Wolverine, each 150

(O) Musk oxen, each 1,100

(16) Resident big game tags:

(A) Bear, brown or grizzly, each 25

The Board of Game may, by regulation effective for not more than one year, eliminate the resident brown or grizzly bear tag and fee for all or a portion of a game management unit.

(B) Musk oxen, each 500

However, the Board of Game may by regulation reduce or eliminate the fee for a resident big game tag for musk oxen for an open season.

(17) Waterfowl conservation tag 5

(A) A person may not engage in waterfowl hunting without having the current year's waterfowl tag in the person's actual possession, unless that person

(i) qualifies for a 25 cent license fee under AS 16.05.340(a)(6);

- (ii) is a resident under the age of 16;
- (iii) is 60 years of age or older and has been a resident for at least one year;
- (iv) is a disabled veteran eligible for a free license under AS 16.05.341.

(B) The Board of Game shall by regulation exempt the requirement of a waterfowl conservation tag for waterfowl hunting in areas of the state not likely to benefit from programs described in AS 16.05.130(b)(2) — (4).

(18) Game farming:

- (A) Game mammal or game reptile farming biennial license ... 200
- (B) Game bird farming biennial license 20

(b) The commissioner of fish and game may issue without cost a permit to collect fish and game, including fur animals, subject to limitations and provisions that are appropriate, for a scientific, propagative, or educational purpose. The commissioner also may issue a permit for the collection of bivalve spat for use in connection with an aquatic farm. In addition, the commissioner shall issue a permit for the collecting of wild fur animals for improving the genetic stock of fur farm animals. Permits issued under this subsection shall be in accordance with current sustained yield management practices for the species of wild game for which the permit is requested. The annual permit fee for an Alaska resident to collect wild fur animals for fur farming purposes is the same as the fee for resident trappers.

(c) The commissioner of revenue may issue a duplicate license or a duplicate tag as a replacement for a license or tag issued under (a) of this section. A fee of \$2 shall be charged for each duplicate license or tag and the duplicate shall not be issued unless the commissioner of revenue or a delegate is satisfied that the original has been lost or destroyed. This subsection does not apply to a 25-cent license issued under (a)(6) of this section.

(d) Members of the military service on active duty who are permanently stationed in the State, and their dependents, who do not qualify as residents under AS 16.05.940, may obtain special nonresident military small game and sport fishing licenses at the rates for resident hunting and sport fishing licenses, but may not take a big game animal without previously purchasing a regular nonresident hunting license and a numbered, nontransferable appropriate tag, issued at one-half of the nonresident rate, under (a)(15) of this section.

(e) *[Repealed, § 27 ch 71 SLA 1986.]* (§ 2 art II ch 94 SLA 1959; am § 1 ch 96 SLA 1959; am §§ 7 — 13 ch 131 SLA 1960; am § 1 ch 16 SLA 1963; am § 1 ch 29 SLA 1963; am § 2 ch 31 SLA 1963; am §§ 2, 3 ch 75 SLA 1964; am § 1 ch 83 SLA 1966; am § 2 ch 32 SLA 1968; am § 1 ch 4 SLA 1972; am §§ 1, 2 ch 180 SLA 1972; am §§ 2, 3 ch 82 SLA 1974; am § 1 ch 198 SLA 1976; am §§ 1, 2 ch 268 SLA 1976; am §§ 1, 2 ch 73 SLA 1979; am § 2 ch 19 SLA 1980; am §§ 1, 2, 4 ch 57 SLA

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1959; am

ended 1960; am § 1 ch 16

SLA 1963; am §§ 2, 3

ch 32 SLA 1968; am

ended §§ 2, 3 ch 82 SLA

SLA 1976; am §§ 1,

§§ 1, 2, 4 ch 57 SLA

1980; am §§ 16, 17 ch 94 SLA 1980; am §§ 1 — 6 ch 40 SLA 1982; am §§ 2, 3 ch 23 SLA 1983; am § 1 ch 35 SLA 1983; am § 3 ch 71 SLA 1984; am §§ 15 — 17 ch 81 SLA 1984; am §§ 3 — 5 ch 96 SLA 1984; am §§ 12, 13 ch 132 SLA 1984; am § 27 ch 71 SLA 1986; am § 3 ch 70 SLA 1987; am §§ 4, 5 ch 88 SLA 1987)

Revisor's notes. — Paragraphs (a)(3) and (4) were formerly (a)(3)(A) and (3)(B) respectively. Renumbered in 1983, at which time the remaining paragraphs in (a) were renumbered accordingly.

Cross references. — For moratorium until July 1, 1988, and related provisions, on issuance, for construction or operation of a commercial finfish farm, of a fishing license (a)(14) of this section or a collection permit under (b) of this section, see ch. 70, SLA 1987, in the Temporary and Special Acts.

Effect of amendments. — The first 1983 amendment deleted "fur" following "fish" in present paragraph (a)(14) and rewrote subsection (b).

The second 1983 amendment added the language to present (a)(16)(A) regarding the board's power to eliminate the tag and fee for a game management unit.

The first 1984 amendment added paragraph (17) to subsection (a).

The second 1984 amendment, in paragraph (12) of subsection (a), inserted "biennial" in subparagraphs (A) and (B) and substituted "100" for "50" in subparagraph (A) and "400" for "200" in subparagraph (B); in paragraph (13) of subsection (a), inserted "biennial" in subparagraphs (A) and (B) and substituted "150" for "75" in subparagraph (A) and "400" for "200" in subparagraph (B); and, in paragraph (14) of subsection (a), inserted "biennial" and substituted "200" for "100."

The third 1984 amendment, in subsection (a), substituted "22" for "15" in paragraph (3), "10" for "3" in paragraph (4), and "32" for "25" in paragraph (6).

The fourth 1984 amendment, in subsection (a), substituted "Nonresident" for

"Visitor's" at the beginning of paragraph (7) and, in paragraph (10), substituted "under (15) of this subsection" for "to the nonresident as provided in (15) of the subsection" at the end of the first sentence, "must" for "shall" in two places in the second sentence, and "an animal of any other species" for "any other animal of the species named" in the last sentence.

The 1986 amendment repealed subsection (e), concerning fees for each caribou, sheep, moose, or bear taken on a guided hunt.

The first 1987 amendment added the second sentence of subsection (b).

The second 1987 amendment in subsection (a) deleted "or game" following "Fish" in paragraph (14) and added paragraph (18).

Opinions of attorney general. — Construing subsection (d) with federal law (10 U.S.C. § 2671(a)), a member of the military who does not qualify as a resident under AS 16.05.940(20) is required to obtain an Alaska sport fishing license to engage in sport fishing on military lands. 1977 Op. Att'y Gen. No. 21.

Construing AS 16.05.330 and this section with federal law (10 U.S.C. § 2671(a)), a member of the military who does not qualify as a resident under AS 16.05.940(20) is not required to obtain an Alaska trapping license to trap on military lands. 1977 Op. Att'y Gen. No. 21.

The special small game hunting license for military personnel authorized by subsection (d) may not be used for hunting all game (including big game) once the holder achieves resident status. 1977 Op. Att'y Gen. No. 21.

Sec. 16.05.341. Free license for disabled veterans. A person may receive a resident hunting and sport fishing license (AS 16.05.340(a)(5)) without charge if the person

(1) has been discharged from military service under honorable conditions;

(2) is eligible for a loan under AS 18.56.101; and

STATE OF ALASKA

DEPARTMENT OF FISH AND GAME

OFFICE OF THE COMMISSIONER

STEVE COWPER, GOVERNOR

P.O. BOX 3-2000
JUNEAU, ALASKA 99802-2000
PHONE (907) 465-4100

March 9, 1989

The Honorable Curt Menard
Co-Chairman
The Honorable Cliff Davidson
Co-Chairman
House Resources Committee
Alaska State Representative
P.O. Box V
Juneau, AK 99811

Dear Representatives Menard and Davidson:

During your March 7 committee hearing on HB 124, you requested some additional information regarding the proposed increases in hunting licenses and nonresident tag fees. Specifically, you requested the projected costs of nonresident and nonresident alien tag fees at 10, 20, and 30 percent increases above those proposed in HB 124 (see Enclosure 1). We have also prepared for your use a summary of nonresident fees in some Canadian provinces (Enclosure 2) which are Alaska's main competitors for nonresident big game hunters.

As stated in the hearing, there were numerous factors used to decide on the recommended increases in nonresident license and tag fees. Since nonresident aliens pay no federal income taxes and generally no excise taxes on guns and ammunition, they pay little to support big game management in Alaska. On the other hand, nonresident U.S. hunters do make substantial contributions to Alaska's management programs. These hunters are also the primary source of income for the federal dollars (i.e., Pittman-Robertson funds) which we receive each year for wildlife conservation work.

Resident hunting license fees have been increased only once (in 1977) since Statehood. Nonresident tag fees were last increased in 1982 (see Enclosure 3). In recommending proposed fee increases, we took into account what nonresidents are already paying to hunt in Alaska, when the last tag fee increases occurred, and what other states and provinces are currently charging. We also considered specific species in terms of range distribution and abundance in Alaska and elsewhere, the status of the species in Alaska, interests of resident hunters, and what

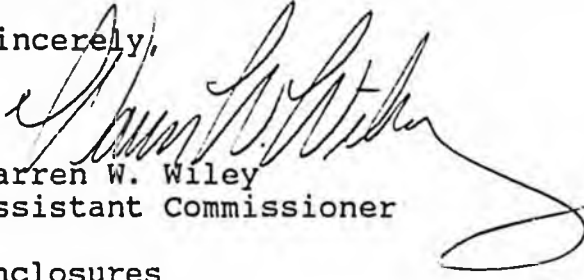
The Honorable Curt Menard -2-
The Honorable Cliff Davidson

March 9, 1989

we believe to be a realistic marketability level without exceeding the point of diminishing returns.

We hope you find the enclosed information useful. If we can be of further assistance, please advise.

Sincerely,



Warren W. Wiley
Assistant Commissioner

Enclosures

cc: House Resources Members
Lew Pamplin, Director
Division of Wildlife Conservation

NONRESIDENT Big Game Tag Fees

Species	Current Tag Fee	HB 124	HB 124 +10%	HB 124 +20%	HB 124 +30%
Black Bear	150 \$200	\$225	\$248	\$270	\$293
Brown Bear	525* 350 -	-425 500	468	510	553
Polar Bear	500 500	2500	2750	3000	3250
Bison	350	450	495	540	585
Caribou	155* 300	325	358	390	423
Dall Sheep	300 400	425	468	510	553
Deer	120 135	150	165	180	195
Elk	110 250	300	330	360	390
Moose	250 300	400	440	480	520
Mountain Goat	210* 250	300	330	360	390
Muskoxen	100 1100	1100	1210	1320	1430
Walrus	500	1500	1650	1800	1950
Wolf	75* 150	175	193	210	228
Wolverine	75* 150	175	193	210	228

NONRESIDENT ALIEN Big Game Tag Fees

Species	Current Tag Fee	HB 124	HB 124 +10%	HB 124 +20%	HB 124 +30%
Black Bear	150 \$200	\$300	\$330	\$360	\$390
Brown Bear	525* 350	600 650	660	720	780
Polar Bear	500 500	3000	3300	3600	3900
Bison	350	650	715	780	845
Caribou	155* 300	425	468	510	553
Dall Sheep	300 400	550	605	660	715
Deer	105 135	200	220	240	260
Elk	200 250	400	440	480	520
Moose	300 300	500	550	600	650
Mountain Goat	210* 250	400	440	480	520
Muskoxen	100 1100	1500	1650	1800	1950
Walrus	500	2000	2200	2400	2600
Wolf	75* 150	250	275	300	325
Wolverine	75* 150	250	275	300	325

Canadian Provincial NONRESIDENT and NONRESIDENT ALIEN Big Game Tag Fees (in Canadian \$):

	Yukon		B.C.		N.W.T.		Alberta		Manitoba		Quebec	
	nonres	alien	nonres	alien	nonres	alien	nonres	alien	nonres	alien	nonres	alien
Black Bear	80	80	50	50	50	50	100	150	50	100	57	57
Grizzly Bear	525	525	320	320	500	500	138	275	--	--	--	--
Polar Bear	--	--	--	--	500	500	--	--	--	--	--	--
Caribou	155	155	120	120	100	100	--	--	--	--	128	128
Sheep	260	260	300	300	100	100	275	275	--	--	--	--
Deer	--	--	60	60	--	--	83	165	80	100	128	128
Elk	--	--	--	--	--	--	110	220	--	--	--	--
Moose	155	155	120	120	100	100	110	220	250	300	126	126
Goat	210	210	130	130	100	100	--	--	--	--	--	--
Muskoxen	--	--	--	--	100	100	--	--	--	--	--	--
Wolf	75	75	25	25	50	50	--	--	25	50	--	--
Wolverine	75	75	--	--	50	50	--	--	--	--	--	--

NOTES:

- (1) Fees listed for the Yukon and N.W.T. are combined "trophy and seal fees," payable ONLY after game is bagged.
- (2) Yukon: nonres license = \$75; alien license = \$150.
Grizzly bear fee listed for Yukon is for males; females (sows) = \$775.
- (3) B.C.: nonres license = \$19; alien license = \$118.
- (4) N.W.T.: in addition to trophy fees above, there are tag fees for wolf and wolverine; nonres = \$10 and alien = \$25.

History of License and Tag Fee Increases in Alaska

RESIDENT Big Game License and Tag Fees

<u>Year</u>	<u>1960</u>	<u>1969</u>	<u>1973</u>	<u>1977</u>	<u>1982</u>	<u>HB 124</u>
License	\$7	\$7	\$7	\$12	\$12	\$25
Brown Bear	--	--	--	25	25	25
Muskoxen	--	500	500	500	500	500

NONRESIDENT Big Game License and Tag Fees

<u>Year</u>	<u>1960</u>	<u>1969</u>	<u>1973</u>	<u>1977</u>	<u>1982</u>	<u>HB 124</u>
License	\$10	\$10	\$20	\$60	\$60	\$85
Black Bear	10	10	75	100	200	225
Brown Bear	75	75	150	250	350	425
Polar Bear	150	150	150	250	500	2500
Bison	50	50	100	250	350	450
Caribou	25	25	50	200	300	325
Dall Sheep	50	50	150	250	400	425
Deer	10	10	25	35	135	150
Elk	25	25	75	125	250	300
Moose	50	50	100	200	300	400
Mountain Goat	25	25	75	125	250	300
Muskoxen	--	1000	1000	1000	1100	1100
Walrus	100	100	100	250	500	1500
Wolf	--	--	50	50	150	175
Wolverine	--	--	25	50	150	175

NOTE: Effective in 1981, resident muskoxen tag fees for some areas were reduced to \$25.

STATE OF ALASKA

DEPARTMENT OF FISH AND GAME

OFFICE OF THE COMMISSIONER

STEVE COWPER, GOVERNOR

P.O. BOX 3-2000
JUNEAU, ALASKA 99802-2000
PHONE: (907) 465-4100

March 2, 1989

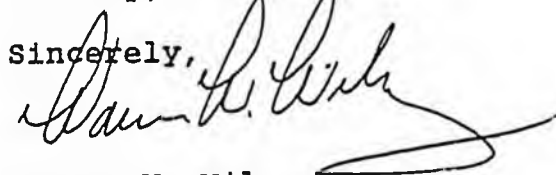
The Honorable Curt Menard, Co-Chair
The Honorable Cliff Davidson, Co-Chair
House Resources Committee
P.O. Box V
Juneau, AK 99811

Dear Co-Chairs:

Enclosed is background material regarding HB 124. Please note that while you will find the dates "1987 and 1988" in these documents, the assertions made and dollar amounts discussed are still pertinent. A letter addressed to Ron McAlpin, President, Alaska Outdoor Council, will provide you insight into the discussions ADF&G has held with that organization regarding the drafting of HB 124.

I look forward to discussing this very important bill with you on Tuesday, March 7.

Sincerely,



Warren W. Wiley
Assistant Commissioner

Enclosures

cc: House Resources Committee Members

THE NEED TO INCREASE REVENUES
FOR WILDLIFE MANAGEMENT AND CONSERVATION
IN ALASKA

Alaska Department of Fish and Game
Division of Game

December 1987

INTRODUCTION

The significant drop in world-wide oil prices in 1985 and 1986 resulted in major reductions in oil revenues to the State of Alaska. State government, like the private sector, experienced substantial declines in revenues which led to cutbacks in most departments' programs and personnel lay-offs. The Division of Game, Alaska Department of Fish and Game, had already initiated many "belt-tightening" measures, but the substantial drop in state revenues accelerated even more drastic cost-saving actions. Some positive aspects were associated with the initial drop in revenues--increased program efficiencies, more detailed examination of program priorities and staffing needs, and greater awareness by employees of the need to implement all available cost-saving measures. Further budget reductions have resulted, however, in the transition of what was a minimally acceptable wildlife management program, to one that is presently inadequate.

Additional income to the Fish and Game Fund and other revenue increases are essential if Alaska's valuable wildlife resources are to continue to prosper and provide substantial benefits to Alaska's citizens and the state's economy. Inflation has eroded the value of money and costs have increased dramatically. It is entirely reasonable that the costs of wildlife management should be borne to some degree by all users. It is also reasonable that those who make the most use of public resources should pay the most for that use--while still being sensitive to the ability of users to pay. The system should be equitable for all users. Although an increase in license and tag fees will provide some financial relief, other revenue enhancement measures will be necessary in the future if sound management of Alaska's wildlife resources is to continue.

If you have any questions or comments on the enclosed information, or would like to discuss various points in more detail, please contact any of the following Division of Game staff:

Lew Pamplin, Director, Anchorage (ph. 267-2231);
Don McKnight, Acting Deputy Director, Juneau (ph. 465-4190);
Dave Anderson, Regional Supervisor, Douglas (ph. 465-4265);
Dan Timm, Regional Supervisor, Anchorage (ph. 267-2193);
Dick Bishop, Regional Supervisor, Fairbanks (ph. 456-5156);
John Cozdy, Regional Supervisor, Nome (ph. 443-2271); or,
your local area game biologist.

Thank you for your interest and your support in this subject.

CORRECTION

**THIS DOCUMENT
HAS BEEN REPHOTOGRAPHED
TO ASSURE LEGIBILITY**

THE NEED TO INCREASE REVENUES
FOR WILDLIFE MANAGEMENT AND CONSERVATION
IN ALASKA

Alaska Department of Fish and Game
Division of Game

December 1987

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INTRODUCTION

The significant drop in world-wide oil prices in 1985 and 1986 resulted in major reductions in oil revenues to the State of Alaska. State government, like the private sector, experienced substantial declines in revenues which led to cutbacks in most departments' programs and personnel lay-offs. The Division of Game, Alaska Department of Fish and Game, had already initiated many "belt-tightening" measures, but the substantial drop in state revenues accelerated even more drastic cost-saving actions. Some positive aspects were associated with the initial drop in revenues--increased program efficiencies, more detailed examination of program priorities and staffing needs, and greater awareness by employees of the need to implement all available cost-saving measures. Further budget reductions have resulted, however, in the transition of what was a minimally acceptable wildlife management program, to one that is presently inadequate.

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Thank you for your interest and your support in this subject.

WILDLIFE RESOURCES AND VALUES

Alaska's wildlife is a legacy of immeasurable value and an attraction to both residents and nonresidents of the state which is exceeded nowhere in the world. The essence of Alaska to most Alaskans is its wild resources, and the image of Alaska to most visitors is its wildlife, spectacular scenery, and undisturbed wildlife habitat. The interrelated economic, cultural, aesthetic, and recreational benefits derived from wildlife by Alaskans are enormous. Vast economic gains result from both consumptive and nonconsumptive uses of wildlife in the state. Hunting and trapping activities generate millions of dollars annually by: the purchase of hunting and camping equipment, vehicles, and equipment maintenance; the contracting of guides and outfitters; the sale of furs; and expenditures for lodges/hotels, restaurants, and transportation services.

Calculating the present and future values of Alaska's wildlife is extremely difficult. Although we can determine how much a nonresident pays on the average to successfully hunt brown bears on the Alaska Peninsula (over \$10,000), we cannot easily determine the "value" of watching 50 bears at McNeil River falls, hearing a howling wolf pack, waiting for the first geese to arrive at Creamer's Field, watching a loon family on one of Anchorage's lakes, seeing 75 bald eagles in one tree in the Chilkat River Valley, or watching thousands of Arctic caribou from a hilltop.

Various studies indicate that the opportunity to view wildlife is of principal importance to tourists in deciding to visit the state. According to the 8th edition of the Alaska Blue Book, about 787,000 people visited Alaska in 1986, spending an estimated 727 million dollars which remained in Alaska. Nonresident visitor travel is responsible for nearly 11,000 jobs for Alaskans, and tourism is considered the third largest private sector industry in Alaska.

While it is impossible to determine the total economic value and personal benefits derived from harvesting game, the sheer number of animals harvested annually is indicative of the great importance of these resources to most Alaskans. During the past three regulatory years (1984/85-1986/87), the reported or minimum estimated hunter/trapper average annual harvests have been: beaver--over 12,300; bison--75; black bear--over 2,000; brown bear--1,100; caribou--over 15,000; Dall sheep--1,100; deer--over 20,000; elk--215; lynx--nearly 1,500; moose--7,200; mountain goat--over 500; muskox--100; land otter--nearly 1,800; waterfowl--over 107,000; wolf--825; and wolverine--600. Although total numbers are unavailable, many thousands of grouse, ptarmigan, hares, and other furbearers are taken annually.

Only "snapshots" of the values of Alaskan wildlife are currently available. Some of these include:

- ° sheep hunters spend over \$5.9 million annually; each resident and nonresident hunter spends approximately \$1,500 and \$9,800, respectively;
- ° in southeast Alaska, hunters in 1985 spent \$4.4 million for deer, \$800,000 for moose, and \$678,000 for goat hunting;
- ° the value of unprocessed furs (raw pelts) has recently been about \$5 million annually;
- ° a conservative estimate of the dollars needed to commercially replace the meat from harvested game is over \$40 million annually;
- ° fees paid to hunting guides have been recently estimated to exceed \$16 million annually, and the big game guiding industry contributes an estimated \$20.5 million annually to the state's economy;
- ° about 787,000 visitors in 1986, spending approximately 727 million dollars in Alaska, rated wildlife as one of their primary reasons for visiting our state; wildlife watching was the single most popular activity enjoyed by these visitors.

Aside from economic values, wildlife is integral to the culture, aesthetic enjoyment, and the quality of life for nearly every Alaskan. Whether we are hunters, trappers, viewers, and/or concerned citizens who derive satisfaction from just knowing that wild living resources exist in abundance, wildlife is of great personal importance to our lives. How many of us who grew up elsewhere would have made Alaska our home or would remain in Alaska if wildlife were no longer a predominant feature of the state? Probably few.

WHAT IS THE PROBLEM?

The Division of Game is facing a serious financial problem in meeting its responsibility to manage Alaska's wildlife. Essential programs, ranging from collecting and analyzing information necessary to maintain populations, to providing services necessary for the public to fully enjoy and utilize wildlife, have been sharply curtailed by budget reductions. During the past two years, the Division of Game has experienced more than a 13 percent reduction in total funds, a 16 percent reduction in staff, the conversion of numerous full-time biologist positions to part-time status, and the closure of two area offices. For details on the division's funding and personnel resources, see APPENDIX A--Funding and Budget Details

and APPENDIX B--Division Staffing, Qualifications, and Office Locations.

Financial difficulties for the division have been developing for years. The division began its duties at statehood with a small budget and staff relative to Alaska's geographic size and diversity of wildlife and wildlife habitats. This situation was generally acceptable because of the relatively low use of wildlife resources. Alaska's human population was small and the state was not experiencing extensive development of its other resources.

Recent budget reductions have occurred when the need for biological information and the responsibilities of the division have increased dramatically. The state's human population has more than doubled since statehood. The impact on wildlife resources has been far greater. Nearly every area and wildlife population in Alaska is now readily accessible because of new roads and the increased use of aircraft, snowmachines, off-road vehicles, and boats. Changes in land status and ownership have reduced opportunities for using wildlife in many parts of the state while concentrating and increasing demand in other areas. The need for an expanded and diversified economy has resulted in new development projects which are sometimes in conflict with wildlife. In order for the state to encourage new development while, at the same time, ensuring that wildlife resources are sustained, comprehensive biological information is required. If Alaska is to "do it right," the department must be able to collect the information needed to carefully and realistically advise how development can proceed while minimizing both costs to developers and adverse impacts to wildlife and Alaskan's use of these resources.

The basic costs of conducting business have been increasing steadily as they have for everyone. For example, much of the information on game populations in Alaska must be obtained from aerial surveys. Air charter rates have increased precipitously because of inflation and increased insurance rates charged to operators. For example, in 1975 a supercub could be chartered for \$55/hour; the same aircraft now costs \$135/hour. Travel costs for personnel, like travel costs for all citizens, have also increased significantly, as have printing costs for regulations, personnel costs (over which the division has no control), and a multitude of other costs for collecting essential biological data and providing services to the public.

The Division of Game has been funded historically by hunting and trapping license revenues (Fish and Game Funds) and federal excise taxes on firearms and ammunition (Pittman-Robertson Funds). Since 1979, the Alaska Legislature has appropriated varying amounts of General Funds for use in divisional programs. General Funds have been used to finance specific programs for non-hunted wildlife, for managing areas closed to hunting such as the McNeil River and Walrus Island State Game Sanctuaries, and to help conduct other game management programs. From fiscal year

to help conduct other game management programs. From fiscal year (FY) 86 to FY 88, General Funds allocated to the division have decreased nearly 50 percent. Over the last five years, Pittman-Robertson Funds have been declining and Fish and Game Funds have generally stabilized. Budget declines have been accompanied by equally severe increases in costs. The net result has been an erosion of programs necessary for effective wildlife management in every area of the state.

Although the spectrum of wildlife management programs conducted by the Division of Game (see APPENDIX C--Division Programs and Activities) has been sharply diminished by budget reductions and rising costs in recent years, there is reason to look upon wildlife's future with optimism. Wildlife is owned by the public and its values are great. We believe that most Alaskans are willing to make a greater financial commitment to ensure professional management and conservation of wildlife resources for themselves and future generations.

WHAT WILL HAPPEN WITHOUT INCREASED REVENUES?

The division is presently only "treading water" in terms of maintaining basic biological data gathering functions (e.g., big game surveys and inventories) and public service activities (e.g., support to advisory committees, public contacts, technical assistance). Without increased revenues the division will, in just a few short years, transition from a manager to a "caretaker" of Alaska's wildlife resources. Public interactions and assistance will diminish significantly, some additional area offices will be closed and consolidated into regional centers, and the number and type of special permit hunts (e.g., registration and drawing hunts) will be reduced or modified. Hunting opportunities will not change immediately, but many existing opportunities will gradually diminish because the biological information necessary to allow harvest of some big game populations will not be available. The department and the Board of Game will be forced into more conservative management strategies for some big game populations.

Assuming a more likely scenario that some revenues will continue to decline (e.g., Pittman Robertson Funds) and there is no increase in other revenue sources, other changes will be more dramatic and long-term ramifications more severe. These include:

- ° curtailment of research efforts to improve biological investigation techniques and to acquire a better understanding of wildlife population dynamics and the ecological factors affecting populations in different areas;
- ° decreased staff assistance and data input to other agencies making land-use decisions which affect wildlife populations, habitats, and public use opportunities;

- ° reduced data collection and analysis of big game population data by division staff resulting in more conservative recommendations to the Board of Game and further restrictions in many game seasons and bag limits, including closures when the status of populations is unknown;
- ° greater chance of unexpected changes in regulations (e.g., emergency closures) that would adversely affect users;
- ° further reduction or elimination of the more costly registration permit hunts which provide limited public use;
- ° no game transplants, habitat improvement projects, or other wildlife enhancement activities;
- ° greater opportunities for poaching because of reduced staff and field presence;
- ° major reductions in wildlife information and education programs, technical assistance to the public and other agencies, and staff interaction with the local public, particularly in rural areas; and
- ° elimination of public use programs in some state managed areas.

In essence, there would be an overall loss in public use opportunities for wildlife-related activities such as hunting, trapping, and viewing in special areas. The quality of life of all Alaskans would diminish as opportunities and benefits derived from professional wildlife management decrease.

PROPOSED INCREASES TO HUNTING LICENSES AND TAG FEES

The department has been considering various options for increasing revenues to fund game management programs. Many alternatives have been evaluated, some have been initiated or are in the process of implementation, and others are still under consideration (see APPENDIX D--Additional Options for Increasing Revenues). A combination of options to increase long-term revenues is the best approach for ensuring sound management of Alaska's wildlife resources in the future. No single option is likely to satisfy both revenue requirements and the desire to distribute costs equitably among wildlife users (see APPENDIX E--Related Issues).

Legislation has been introduced (Senate Bill No. 129) which would increase the cost of resident hunting and sport fishing licenses. The department supports this bill and has recommended amendments which would increase the cost of nonresident hunting and fishing licenses, increase nonresident tag fees for big game, and expand the number of species which require resident big game tag fees.

License fees vary widely in other states. Many states are currently considering increases in their license and tag fee structures. A major difference in the license fee structure between Alaska and elsewhere is that all other states require additional tags or other fees to hunt deer, antelope, moose, sheep, goat, elk, turkey, and upland birds. A deer tag, for example, ranges from \$4 in Oregon to \$30 in Kansas. Besides Alaska, only 13 other states do not charge additional fees to hunt deer. However, in some of those states, individual counties assess added costs. A tag to hunt black bears ranges from no charge in a few states to \$4 in West Virginia, \$15 in Washington, and \$25 in Colorado and Utah. For a resident in 11 western states to hunt small game and only two species of big game (deer and black bear), the average cost is \$34. This entitles the hunter to take one deer and one black bear.

In Alaska, a \$12 hunting license entitles a resident to hunt for up to six deer, up to three black bears, one moose, one bison, one elk, up to two mountain goats, one Dall sheep, one muskox, numerous caribou, and several to unlimited numbers of coyotes, foxes, lynx, wolves, wolverine, grouse, hare, and ptarmigan. A grizzly bear tag costs an additional \$25, and state and federal waterfowl stamps cost \$5 and \$10, respectively. When big game hunters are limited in number in some areas, drawing permit application fees are \$5 each. In consideration of the variety, number of animals which can be taken, and uniqueness of Alaska's game resources, Alaskan hunters are paying substantially less to hunt than residents of other states.

Increase Resident Hunting License from \$12 to \$20

Resident license fees have not been increased since 1977. Senate Bill (SB) 129 would increase resident hunting licenses from \$12 to \$20. This would generate additional revenues of approximately \$560,000 annually to the Fish and Game Fund.

Increase Nonresident License and Tag Fees

The department's proposed amendments to SB 129 would do the following:

- A. Increase the nonresident general hunting license fees from \$60 to \$85. Estimated increased annual revenues are \$138,000.
- B. Establish a nonresident small game hunting license for \$20. The intent is to provide opportunities to some nonresidents who would not normally hunt while visiting Alaska. Nonresidents who hunt only small game would not be required to purchase the more expensive general license. Estimated increased annual revenues are \$13,000.
- C. Increase nonresident tag fees for big game as follows:

<u>Species</u>	<u>From</u>	<u>To</u>
Black Bear	\$ 200	\$ 250
Brown/Grizzly Bear	350	500
Bison	350	500
Caribou	300	350
Dall Sheep	400	450
Deer	135	150
Elk	250	300
Moose	300	400
Mountain Goat	250	300
Muskoxen	1,100	no change
Wolf	150	450
Wolverine	150	450

Estimated increased annual revenues are \$460,000.

Estimated increased annual revenues from A, B, and C above are \$611,000.

Expand Resident Big Game Tags

Currently, residents must have a big game tag to hunt muskox and brown/grizzly bear in most game management units. Additional amendments to SB 129 would expand the tag fee structure whereby a tag would be required for residents to hunt most big game species, but would not be required for each animal taken in a multiple bag limit. For example, a resident hunter would pay a tag fee to hunt deer on Kodiak Island, but could harvest the legal bag limit (up to 5 deer). Resident tag fees could be established as follows:

<u>Species</u>	<u>Tag Fee</u>
Black Bear	\$10
Brown/Grizzly Bear	no change
Bison	40
Caribou	10
Dall Sheep	25
Deer	10
Elk	15
Moose	10
Mountain Goat	10
Muskoxen	no change
Wolf	-0-
Wolverine	-0-

Estimated annual increased revenues are \$900,000.

Passage of SB 129 with the amendments proposed by the department would generate approximately \$2.0 million in increased annual revenues to the Fish and Game Fund.

WHAT WOULD INCREASED REVENUES BE USED FOR?

The proposed increases in license and tag fees for hunting in Alaska would affect both resident and nonresident hunters. Most of the funds would be used to restore or enhance game management and research projects that were eliminated or severely reduced as a result of losing nearly 1.5 million dollars in General Funds since FY 86. Some game management programs that would receive additional funding include:

- ° moose survey and inventory work statewide and population censuses in heavily hunted areas and in selected locations where populations may be experiencing problems;
- ° caribou survey and inventory work statewide and more frequent population censuses of major herds;
- ° research and development of improved, more cost-effective and accurate big game and furbearer survey techniques;
- ° wolf, wolverine, marten, and lynx surveys and monitoring population trends;
- ° providing biological information to the public, local advisory committees, and the Board of Game for the state's regulatory process;
- ° Dall sheep and mountain goat surveys;
- ° moose habitat carrying capacity studies and modeling;
- ° reestablish moose habitat enhancement projects in portions of southcentral and interior Alaska;
- ° more field presence by staff and additional law enforcement activities;
- ° compilation, detailed analysis, and computerization of historic information on big game populations;
- ° technical assistance to land management agencies for use in making decisions affecting wildlife populations, habitats, and public use opportunities;
- ° wildlife information and education projects and the statewide hunter education program;
- ° additional emphasis on management planning; and

- ° more educational efforts to inform the public about the benefits of professional wildlife management and the ecological basis for regulated harvests.

It is important to recognize that many of these essential wildlife management programs would not receive additional funding, even if hunting license and tag fees were increased, unless the General Fund appropriations to the Division of Game remained near the current level.

APPENDIX A

Funding and Budget Details

Since statehood, Division of Game operations have been funded primarily from two sources: (1) Pittman-Robertson (P-R) Funds (federal dollars); and (2) the Fish and Game Fund. The P-R Funds, derived from an 11 percent excise tax on firearms, ammunition, and archery equipment, are collected by the U.S. Department of Treasury and are apportioned annually to individual states by the U.S. Fish and Wildlife Service on the basis of each state's size and number of licensed hunters. Alaska, because of its size, receives the maximum apportionment (4 percent of the fund). States match P-R monies on a 1 state dollar to 3 federal dollar basis.

To receive P-R money, a state must have adopted laws which require that all hunting and sport fishing license revenues be used exclusively for the "protection, propagation, investigation, and restoration" of sport fish and wildlife resources. These statutes thereby established a Fish and Game Fund which is comprised of license and tag revenues, permit application fees, duck stamp revenues, and monies from the sale of hides. Fish and Game Fund dollars are used to match federal aid dollars and to support programs which are not eligible for funding under the P-R Act (law enforcement, animal control, establishing and publishing regulations, public inquiries, and information programs).

Since 1979, the state Legislature has appropriated varying amounts of monies from the state's General Fund to the Division of Game. These monies have been used to fund the division's nongame program, habitat enhancement, predator control, visitor programs at the McNeil River and Walrus Island State Game Sanctuaries, law enforcement and public service activities, and to supplement funding for various other projects.

Because of reduced budgets, the division has recently established four program receipt accounts which accrue funds for specific activities. Users of the Rabbit Creek Rifle Range in Anchorage and the McNeil River State Game Sanctuary are required to pay fees which help to fund these programs; Delta Bison Range maintenance is partially funded through an additional \$5 application fee for Delta bison permits; and the division sells hides and skins of animals taken in defense of life and property, donated, or acquired through other sources.

The division has a special projects budget component funded entirely from outside sources of monies such as federal agencies and the private sector. Most marine mammals research conducted by the division, for example, is funded by the federal agencies responsible for those resources. Because the amount of special projects funding is highly variable from year to year and is directed to specific projects, the division cannot (and should

not) depend on these funds to maintain full-time staff working on routine game management projects.

The other element of funding for the Division of Game is Capital Improvement Projects (CIP). Past CIP funds have been used for such projects as: construction of the Potter Marsh boardwalk; upgrading facilities at McNeil River and the Rabbit Creek Rifle Range; wildlife enhancement work on the Delta Bison Range; moose habitat enhancement; and land acquisition and survey work on state game refuges. The division presently has only one CIP, waterfowl enhancement, which is funded with the proceeds from the sale of duck stamp prints. This CIP funds one permanent seasonal employee who is responsible for the state's waterfowl enhancement program.

During recent budgetary years (FY 80-FY 88), P-R money, the Fish and Game Fund, and General Funds have comprised an average of 45 percent, 37 percent, and 18 percent of the division's total operating budget, respectively. General Funds comprised a small percentage in the early 1980s, a larger portion in the mid 1980s, and a steadily declining percentage since FY 86 (Table 1). Revenues from the federal P-R program have declined since 1983, despite increasing inflationary costs of firearms, ammunition, and archery equipment. Manufacturers believe that future sales will continue to gradually decline. Unless additional items of outdoor equipment are taxed for this purpose or the 11 percent excise tax rate is increased, the long-term prognosis for P-R funding is not good.

Revenues from hunting licenses and tags are also expected to decline in the foreseeable future unless the price of licenses and tags is increased. General resident license sales peaked in 1984 and subsequently declined (Figure 1). Nonresident license sales generally increased from 1977 to 1984 and then stabilized or slightly declined (Figure 2). Only low income 25¢ license sales increased, but these cost the state over \$1 each to process (Figure 3). From 1976 through 1986, resident, nonresident, and 25¢ resident low-income license sales increased 22 percent, 17 percent, and 202 percent, respectively (Figure 4).

ALASKA DEPARTMENT OF FISH AND GAME
DIVISION OF GAME

Table 1. Operating Budget--Funding Sources FY80 - FY88 (in thousands of dollars).

	FY80	FY81	FY82	FY83	FY84	FY85	FY86	FY87	FY88
Federal Funds	3,080.1	4,032.4	4,174.2	5,139.3	5,159.4	3,731.8	4,300.0	3,750.0	4,200.0
General Funds	192.6	420.9	1,264.1	2,067.7	2,314.3	2,612.9	3,069.8	1,934.8	1,526.1
Fish and Game Funds	2,243.4	2,641.7	3,096.0	2,998.3	2,955.3	4,468.2	3,900.0	4,450.0	4,000.0
*Total Operating Budget	5,516.1	7,095.0	8,534.3	10,205.3	10,429.0	10,812.9	11,269.8	10,134.8	9,726.1

* Does not include program receipts for user fees (e.g., Rabbit Creek Rifle Range).

NON-RESIDENT HUNTING LICENSE SALES

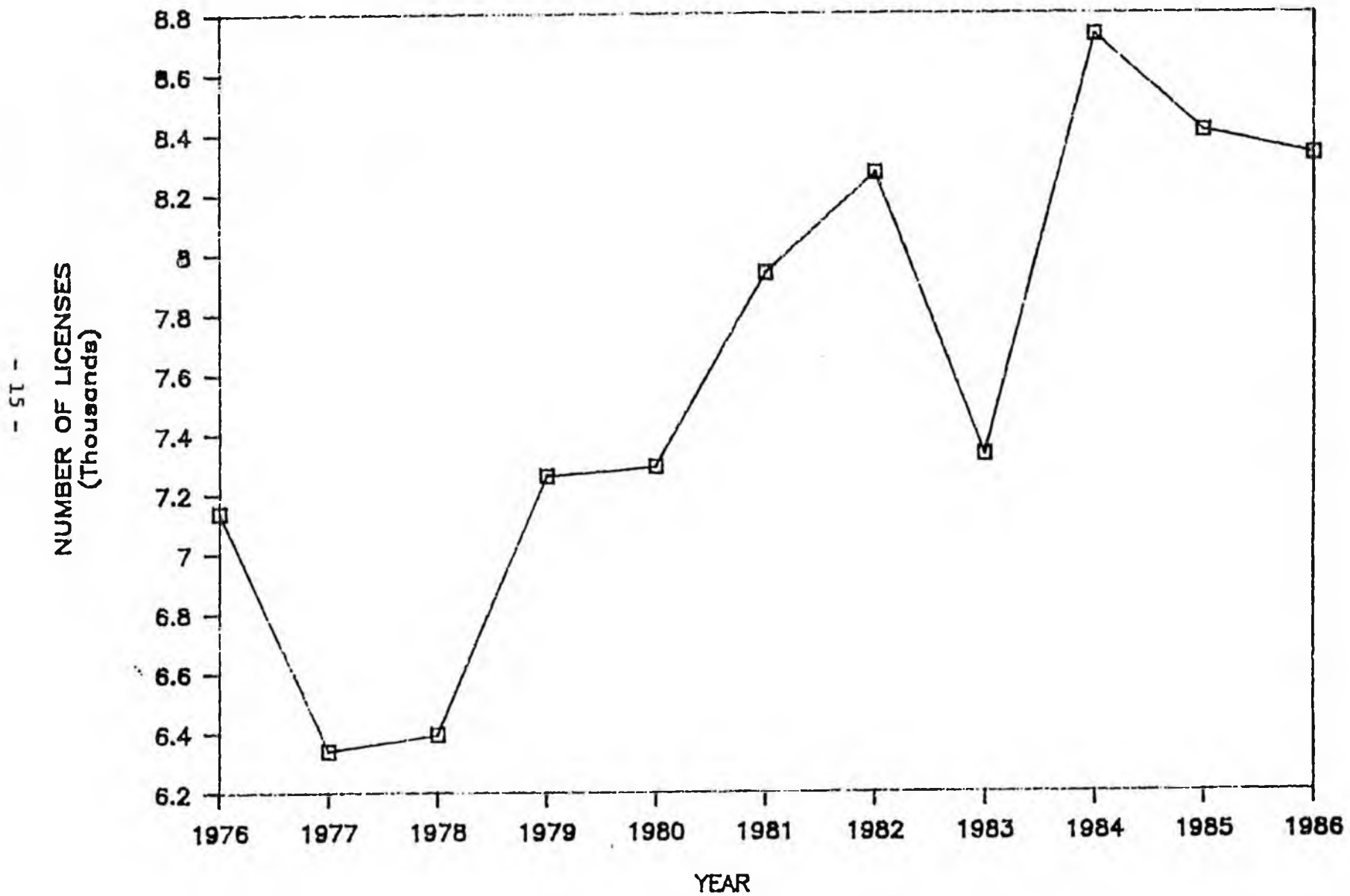


Figure 2.

CORRECTION

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DIVISION OF GAME

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General Funds	192.6	420.9	1,264.1	2,067.7	2,314.3	2,612.9	3,069.8	1,934.8	1,526.1
Fish and Game Funds	2,243.4	2,641.7	3,096.0	2,998.3	2,955.3	4,468.2	3,900.0	4,450.0	4,000.0
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RESIDENT HUNTING LICENSE SALES

- 14 -

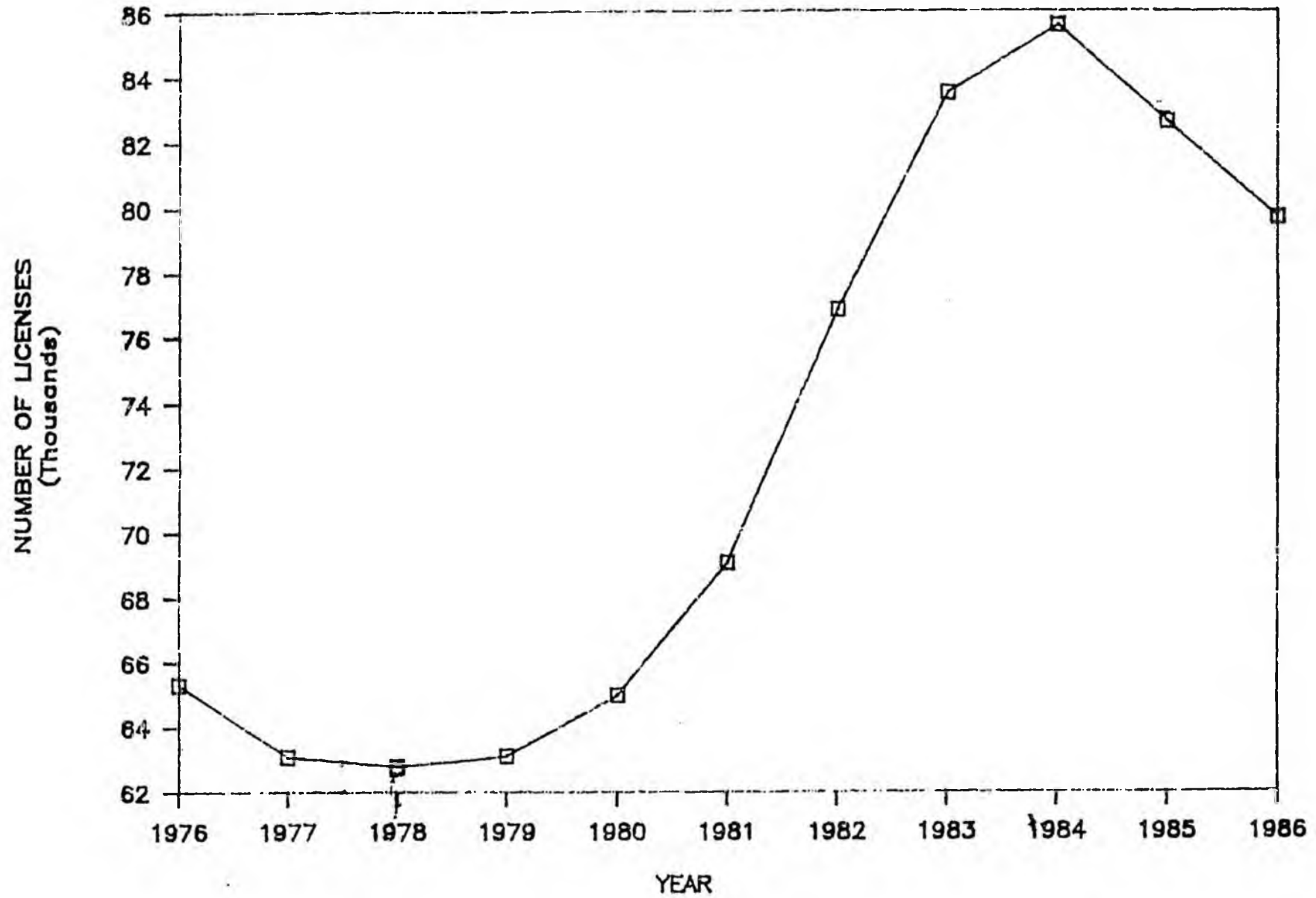


Figure 1.

NON-RESIDENT HUNTING LICENSE SALES

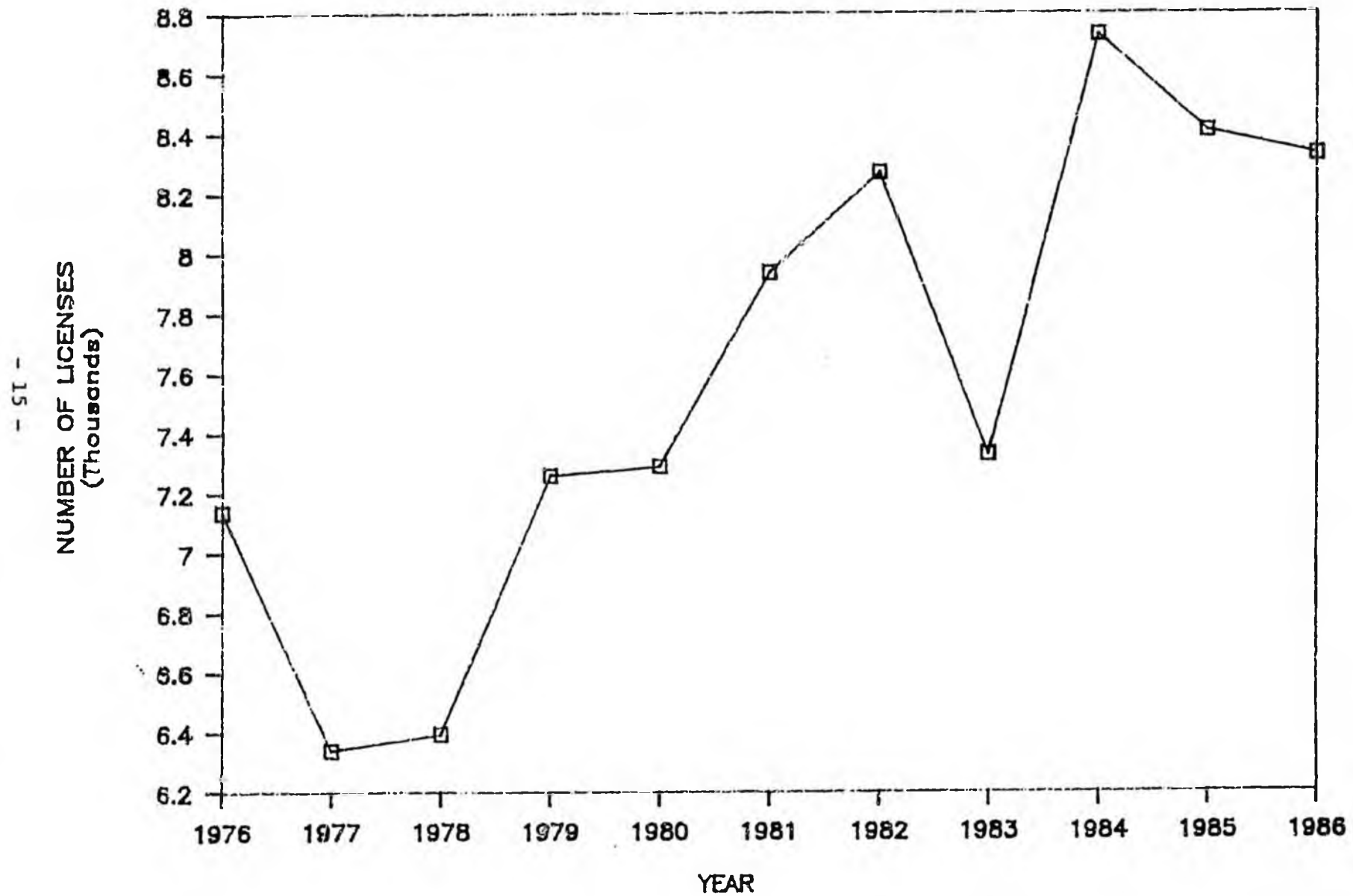


Figure 2.

\$0.25 HUNTING LICENSE SALES

- 91 -

NUMBER OF LICENSES
(Thousands)

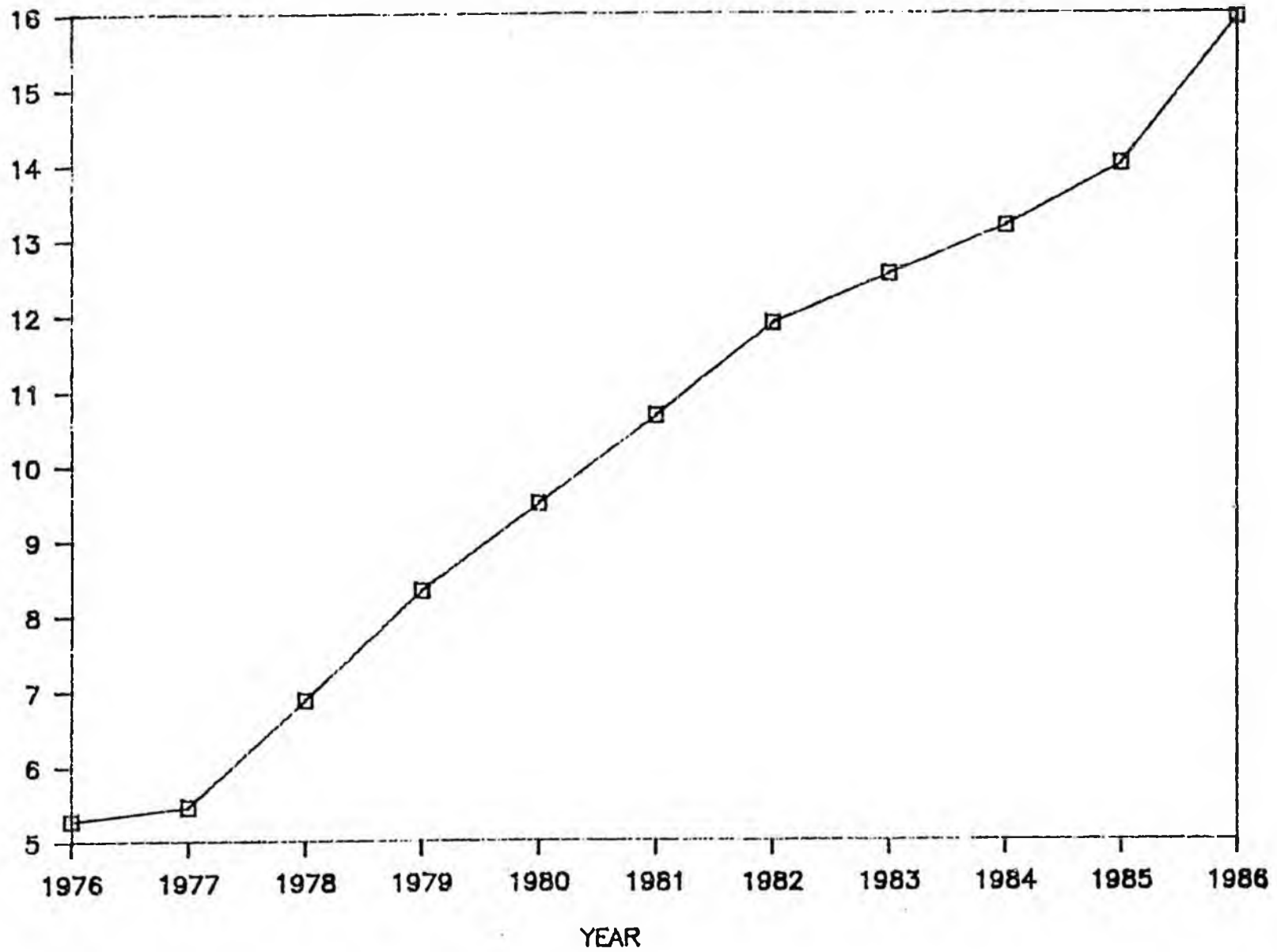


Figure 3.

% CHANGE IN HUNTING LICENSES BY TYPE

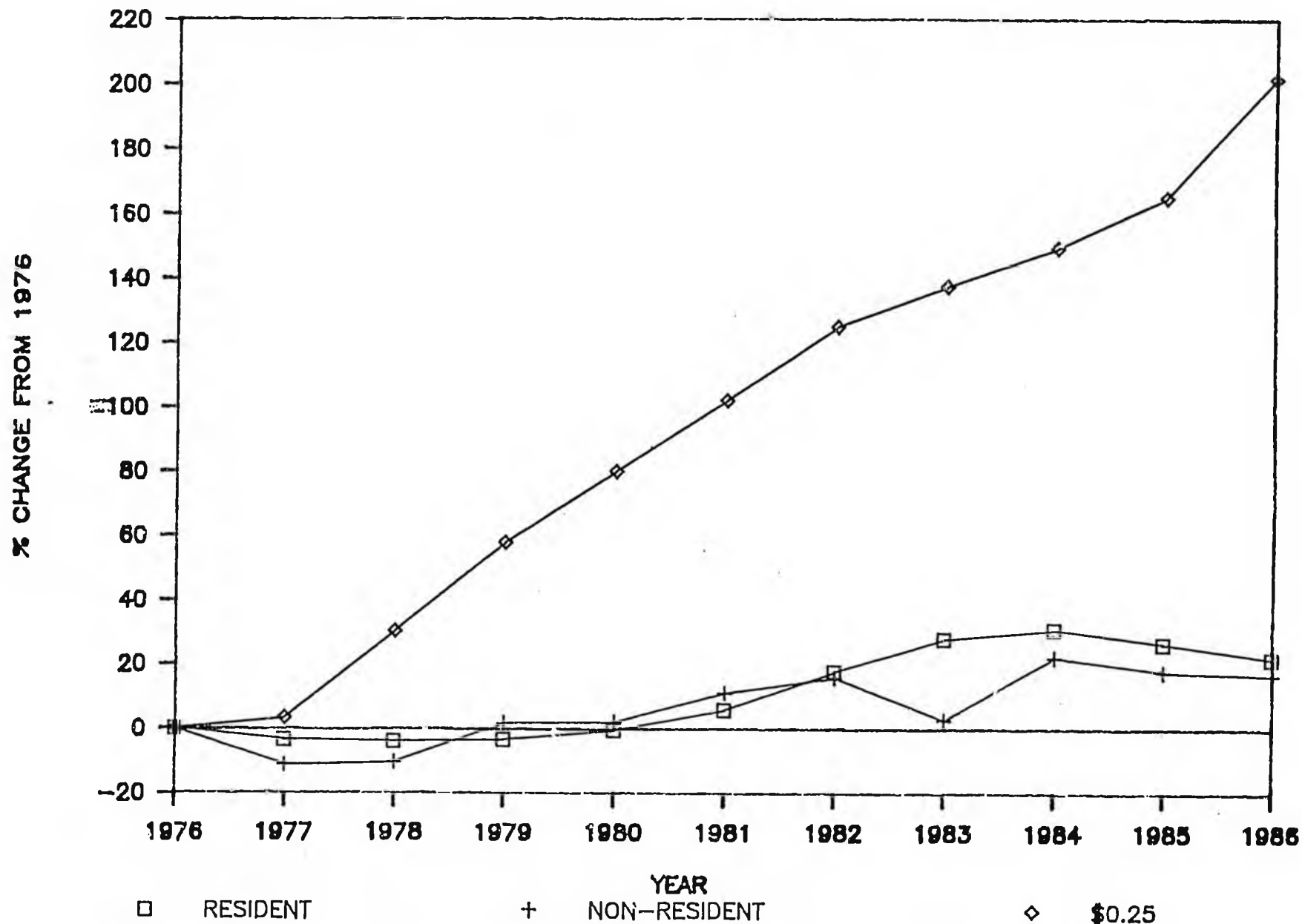


Figure 1

APPENDIX B

Division Staffing, Qualifications, and Office Locations

During the past 2 years, there was a 16 percent reduction in total positions and a 25 percent reduction in full-time positions. Several full-time positions were converted to seasonal or part-time. The number of positions in broad job classes for the last 3 years is shown below.

	<u>FY86</u>	<u>FY87</u>	<u>FY88</u>
Biologists	104	91	86
Technicians	35	26	25
Administrative and Clerical	42	40	39
Other Technical	<u>13</u>	<u>12</u>	<u>12</u>
TOTAL	194	169	162

Nearly 70 percent of the division's positions are biologists and technicians, about 24 percent have administrative (including supervisory functions) or clerical duties, and the remainder fulfill other technical functions such as computer programming, data entry, and statistical work.

Division of Game staff are recognized and respected world-wide for their expertise and professional capabilities as wildlife managers. All biologists have at least a B.S. degree in wildlife management or a closely related field, more than half also have an M.S. degree, 16 have a Ph.D degree, and two have Doctor of Veterinary Medicine degrees. Most of the technicians and technical staff have a B.S. degree and some also have master's and doctorate degrees. Experience with management of Alaskan wildlife averages over 10 years for staff biologists and nearly 14 years for the division's biological supervisory staff.

The Division of Game currently has staff in 24 communities across Alaska, located as follows:

Headquarters -- Juneau
 Regional Offices -- Douglas, Anchorage, Fairbanks, Nome
 Area Offices -- Ketchikan, Petersburg, Sitka, Cordova, Soldotna, Homer, Palmer, Glennallen, Kodiak, King Salmon, Dillingham, Tok, Delta, McGrath, Fort Yukon, Galena, Bethel, Kotzebue, and Barrow.

In recent years, offices in Ambler, St. Marys, and Yakutat were closed, and management activities were consolidated into other offices. The most effective wildlife management and public service is attained by biologists living and working with people in many communities. However, the monetary cost of maintaining these offices is high, particularly in "bush" Alaska.

- ° conducting annual harvest monitoring of hunted and trapped wildlife using harvest tickets, permits, questionnaires, fur sealing certificates, and reports from the public;
- ° compiling, printing, and distributing hunting and trapping regulations;
- ° analyzing various data to formulate proposed hunting and trapping season changes and presenting changes and wildlife status information to local advisory committees, the Board of Game, and the general public;
- ° performing habitat enhancement in selective areas for moose, waterfowl, hares/lynx, and other species;
- ° conducting wildlife education programs and a hunter education program statewide;
- ° working with other agencies and private landowners to assure proper wildlife protection and optimum public use on lands throughout Alaska;
- ° answering tens of thousands of questions each year from the general public about Alaska's wildlife;
- ° helping people who have problems with wild animals and assisting wildlife in distress;
- ° developing measures to reduce moose/vehicle collisions on Alaska's highways and the railroad; and
- ° assisting the Division of Fish and Wildlife Protection in law enforcement activities.

As a state agency, the division must comply with certain purchasing, budgeting, expenditure accounting, and other administrative procedures. Staff time and funds must be obligated to program administration, planning, budgeting, and similar duties that are required and necessary to ensure an efficient and financially accountable operation.