

ALASKA LEGISLATURE COMMITTEE FILES, 1989-1990  
6662 SENATE STATE AFFAIRS

8672

1046

# **CORRECTION**

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TO ASSURE LEGIBILITY**

## Investor Information

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### Quarterly Stock Prices

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	1989		1988		1987	
	High	Low	High	Low	High	Low
First Quarter	\$26.50	\$18.00	\$12.50	\$ 7.13	\$12.50	\$ 9.63
Second Quarter	23.50	20.13	13.38	8.63	15.75	10.50
Third Quarter	29.00	22.63	17.25	12.63	14.50	10.88
Fourth Quarter	32.00	25.00	26.88	17.00	13.50	11.50

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### Form 10-K

A copy of the 1989 Annual Report on Form 10-K as filed with the Securities and Exchange Commission is available to shareholders on written request without charge. All requests should be directed to:

International Game Technology  
Attn: Shareholder Relations  
P.O. Box 10580  
Reno, Nevada 89510  
(702) 323-5060  
(702) 788-6564 (FAX)

### Stock Exchange Listing

The Company's common stock is actively traded on the NASDAQ National Market under the symbol "IGAM".

### Transfer Agent & Registrar

Stockholders of record who have questions regarding address changes, stock transfer or lost certificates should direct their inquiries to:

Bankers Trust Company of California, N.A.  
P.O. Box 7344  
San Francisco, California 94120

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San Francisco, California 94120

## **Board of Directors and Officers of the Company**

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### **Board of Directors**

**William S. Redd**  
Chairman Emeritus  
**Charles N. Mathewson**  
Chairman  
**Warren L. Nelson**  
Director  
**Wilbur K. Keating**  
Director  
**Claudine E. Williams**  
Director  
**Albert J. Crosson**  
Director

### **Officers of the Company and its Subsidiaries**

**International Game Technology**  
**Charles N. Mathewson**  
Chief Executive Officer  
**John J. Russell**  
President and Chief Operating Officer  
**Peter D. Dickinson**  
Sr. Vice President, Engineering  
**Raymond D. Pike**  
Sr. Vice President, General Counsel  
and Secretary  
**G. Thomas Baker**  
Vice President, Finance and Administration  
and Chief Financial Officer  
**Scott Shackelton**  
Treasurer and Controller  
**Frann Gallagher**  
Assistant Secretary

### **IGT**

**Robert Bittman**  
Vice President, Marketing  
**Michael Brown**  
Vice President, Production  
**Robert McMonigle**  
Vice President, Sales  
**Scott Shackelton**  
Vice President

**CMS International**  
**Edward G. Stevenson**  
President and Chief Executive Officer  
**Wayne A. Currie**  
Executive Vice President and  
Chief Operating Officer  
**E. Patrick Crofts**  
Executive Vice President and  
Chief Financial Officer

### **IGT - Australia**

**Dean McClain**  
Managing Director and Chief Executive  
Officer  
**Keiran Daley**  
General Manager, Group Operations  
**George B. Cragen**  
General Manager, Marketing and Services  
**Edward W. Culley**  
General Manager, Production/Research  
and Development  
**William J. Cook**  
General Manager, Manufacturing  
**Richard G. Shaff**  
General Manager, Finance

### **Electronic Data Technologies**

**William R. Dukes**  
President and Chief Executive Officer  
**David B. Brogan**  
Vice President and Chief Financial Officer  
**Bob G. Funk**  
Vice President, Service Division  
**Elisa M. Pringle**  
Corporate Controller  
**Mick D. Roemer**  
Vice President, New Products  
**Gordon E. Van Auken**  
Vice President, Administration  
**Michael J. Farnham**  
Vice President, Systems Division  
**Ray S. Brown**  
President, Gaming Division

## Corporate Headquarters

520 South Rock Boulevard  
Reno, NV 89502-4169  
Phone: (702) 323-5060  
FAX: (702) 788-6564  
TELEX: 550452 IGT EXEC

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## Sales and Service Offices

### Southern Nevada, International & U.S.

3155 West Harmon Avenue  
Las Vegas, NV 89103-4111  
Phone: (702) 798-7878  
FAX: (702) 798-8190

### Northern Nevada

520 South Rock Boulevard  
Reno, NV 89502-4169  
Phone: (702) 323-5060  
FAX: (702) 788-6792  
TELEX: 170495 IGT RNO

### Eastern Nevada

688 Idaho Street  
Elko, NV 89801-3822  
Phone: (702) 738-3676

---

### IGT Miami

2648 West 84th Street  
Hialeah, FL 33016  
Phone: (305) 821-7375  
FAX: (305) 821-7415

### IGT Montana, Inc.

2118 South Reserve Street  
Missoula, MT 59801  
Phone: (406) 728-2292  
FAX: (406) 728-9131

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## Subsidiaries

### IGT (Australia) Pty., Limited

286-288 Coward Street  
Mascot, N.S.W. 2020  
Australia  
Phone: (02) 669-3000  
FAX: (02) 669-3779  
TELEX: AA120565

### IGT (New Zealand) Limited

Unit 5, 29 Dragon Street  
Grenada North, Wellington  
P.O. Box 51-400  
Tawa, New Zealand  
Phone: (64) 432-4247  
FAX: (64) 432-4398

### EDT (Electronic Data Technologies)

1085 Palms Airport Drive  
Las Vegas, NV 89119-3715  
Phone: (702) 361-1510  
FAX: (702) 798-6562

### CMS International

1040 B Street  
Sparks, Nevada 89431  
Phone: (702) 355-6600  
FAX: (702) 355-6622

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## Distributors

### Atlantic City Coin and Slot Service Company

14 West Mulberry Avenue  
Pleasantville, NJ 08232  
Phone: (609) 641-7811  
FAX: (609) 641-6854

### IndoPacific Gaming

P.O. Box 57  
Crows Nest, N.S.W. 2065  
Australia  
Phone: (02) 906-1810  
FAX: (02) 906-2228 or (02) 439-2157  
TELEX: SECCO AA25468

### Casino Coin, Ltd.

Fortune House, Moxon Street  
Barnet, Herts, England EN5 5SD  
Phone: (01) 449-0077  
FAX: (01) 449-7217  
TELEX: 266016 EUROCO G

### SODAK Gaming Services

22 East New York Street  
Rapid City, SD 57701  
Phone: (605) 341-5400  
FAX: (605) 348-8743

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FAX: (605) 348-8743

**S B**

**282**

SENATE STATE AFFAIRS COMMITTEE

BILL NUMBER SB 282

SPONSOR Duncan

BILL TITLE Park rangers status as peace officers  
under PERS

DATE REFERRED 4-17-89

HEARING SCHEDULED

FISCAL NOTE PREPARED

1-8-90 -  
Roxanne -  
"Hold off at  
this time"

SPONSOR CONTACTED

INTERESTED PARTIES CONTACTED

OTHER

FISCAL NOTE

REQUEST:

Revision Date: \_\_\_\_\_ Agency Affected: Administration  
 Title: An Act granting Park Rangers  
status as Peace Officers BRU: Retirement and Benefits  
 Sponsor: Duncan Components: Retirement and Benefits  
 Requestor: \_\_\_\_\_

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 91	FY 92	FY 93	FY 94	FY 95	FY 96
PERSONAL SERVICES	0	0	0	0	0	0
TRAVEL	0	0	0	0	0	0
CONTRACTUAL	0	0	0	0	0	0
SUPPLIES	0	0	0	0	0	0
EQUIPMENT	0	0	0	0	0	0
LAND & STRUCTURES	0	0	0	0	0	0
GRANTS, CLAIMS	0	0	0	0	0	0
MISCELLANEOUS	0	0	0	0	0	0
TOTAL OPERATING	0	0	0	0	0	0
CAPITAL	0	0	0	0	0	0
REVENUE	0	0	0	0	0	0

FUNDING: (Thousands of Dollars)

GENERAL FUND	0	0	0	0	0	0
FEDERAL FUNDS	0	0	0	0	0	0
OTHER	0	0	0	0	0	0
TOTAL	0	0	0	0	0	0

POSITIONS:

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

ANALYSIS: (Attach a separate page if necessary)

THIS BILL WOULD INCREASE STATE CONTRIBUTIONS BY .01% OF THE ESTIMATED FY 91 PAYROLL AND RESULT IN AN INCREASE OF \$49.3 IN FY 91 PERSONAL SERVICES COSTS.

Please refer to page 2 for a detailed discussion.

Prepared by: Sally Smith, Director *Sally Smith* Phone: 465-4470  
 Division: Retirement and Benefits Date: 2/28/90  
 Approved by Commissioner: Frank S. Baxter *Frank S. Baxter* Date: 3/1/90  
 Agency: Department of Administration

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

Senate Bill 282  
Analysis of Fiscal Implications to the Retirement Funds  
Prepared by Division of Retirement & Benefits  
Department of Administration  
February 27, 1990

Analysis: This bill is intended to include Public Employees' Retirement System (PERS) members who serve as Park Rangers under "Peace Officer/Firefighter" coverage. They are currently covered under the "All Other" category. We have assumed that this bill will increase the "Peace Officer/Firefighter" participation and decrease the "All Other" participation in PERS by 7 full-time and 40 seasonal Park Rangers.

This bill would increase the state FY90 PERS contribution rate by .01%. The state payroll is estimated to be \$492,656,834 in FY91 and remain stable each year thereafter.

The state cost of \$ 49,657 is calculated as follows:

State FY90 payroll	\$ 492,656,834
Increase in PERS rate	X <u>.04%</u>

Total FY90 state cost .....\$ 49,657

TOTAL FY 90 STATE COST.....\$ 49,657

This bill will not materially affect the accrued liabilities or the funding ratio of the PERS fund.

PERS

Introduced: 4/17/89  
Referred: State Affairs, Resources  
and Finance

6-1205A

1 IN THE SENATE

BY DUNCAN

2

SENATE BILL NO. 282

3

IN THE LEGISLATURE OF THE STATE OF ALASKA

4

SIXTEENTH LEGISLATURE - FIRST SESSION

5

A BILL

6 For an Act entitled: "An Act granting certain commissioned park rangers  
7 status as peace officers under the public employees'  
8 retirement system."

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

10 \* Section 1. AS 39.35.680(28) is amended to read:

11 (28) "peace officer" or "fireman" means an employee occupy-  
12 ing a position as a peace officer, chief of police, correctional  
13 officer, correctional superintendent, park ranger commissioned under  
14 AS 18.65.010, fireman, or fire chief;

**S B**

**284**

SENATE STATE AFFAIRS COMMITTEE

BILL NUMBER SB 284

SPONSOR Eliason

BILL TITLE Oil & gas properties production tax

DATE REFERRED 4-17-89

HEARING SCHEDULED 4-24-89

FISCAL NOTE PREPARED

SPONSOR CONTACTED Mary 4916

INTERESTED PARTIES CONTACTED

- ✓ Gregg Erickson, OMB 3568
- ✓ Sheila Helgath, SAC 3114
- ✓ Cliff Groh (Hugh Malone)
- ✓ Jim Kelly 2047

OTHER

SENATE COMMITTEE REPORT

FIRST COMMITTEE OF REFERRAL

Date of 5-DAY NOTICE 4-20-89  
IN ACCORDANCE WITH UNIFORM RULE 23

\*\*FISCAL NOTE(S) MUST BE ATTACHED  
IN ACCORDANCE WITH AS 24.08.035

FURTHER

O&G  
RES  
FIN

DATE TURNED INTO OFFICE 4-24-89

4/17/89  
Mr. President:

STATE AFFAIRS

Committee considered

SB 284

certain revenue from mineral sources and to the oil and gas properties  
production tax; efd

and recommended:

- replace with CS \_\_\_\_\_  same title
- attached amendment(s) and  new title
- \_\_\_\_\_ letter of intent adopted
- do pass
- do not pass
- no recommendation
- individual recommendations
- further referral to \_\_\_\_\_

FISCAL NOTE(S) attached  zero  
 appropriation no FN attached

<sup>positive</sup> fiscal impact  
 Gov. FN introduced w/ bill

MEMBERS SIGNING DO PASS

Al Adams  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

OTHER RECOMMENDATIONS

Jan Kirk No Rec  
Tim Kelly No Rec  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
Pat Kump no rec

Chair : signature and recommendation

Committee backup attached

S284.TXT  
4/24/89

SB 284 RELATING TO REVENUE FROM MINERAL SOURCES AND TO THE OIL  
AND GAS PROPERTIES PRODUCTION TAX

TO TESTIFY/ANSWER QUESTIONS

SEN. ELIASON, SPONSOR (MARY)

HUGH MALONE/CLIFF GROH, DEPT. REVENUE

GREGG ERICKSON, O.M.B.

SHEILA HELGATH, SENATE ADVISORY COUNCIL

F.Y.I.

ELF FORMULA IN BILL IS SAME AS SENATE JUDICIARY PROPOSAL (i.e.  
THE HOUSE-PASSED VERSION BUT WITHOUT RETROACTIVITY).

EFFECT ON PERMANENT FUND: INCREASE CORPUS, SO INCREASE EARNINGS,  
SO INCREASE DIVIDENDS, SO REQUIRE MORE INFLATION PROOFING.

THE INCREASE FROM 25% TO 43% IS "WHAT WORKS". AS CALCULATED BY  
SENATE ADVISORY COUNCIL, THE REVENUES GENERATED BY THE PERCENTAGE  
INCREASE WILL APPROXIMATE THE REVENUES GENERATED BY THE ELF.  
NUMBERS ARE IN PACKET -- IS ACTUALLY A LITTLE "OVERFLOW" TO THE  
GENERAL FUND EACH YEAR.



Impact  
on PF

**Alaska Permanent Fund Corporation**  
P.O. Box 4-1000 Juneau, Alaska 99802-4100  
(907) 465-2047 Telecopy (907) 586-2057

M E M O R A N D U M

DATE: April 19, 1989  
TO: Senator Dick Eliason  
FROM: Jim Kelly *JK*  
Research & Liaison Officer  
SUBJECT: Analysis of Senate Bill No. 284

Attached are two financial projections and three charts prepared by the Alaska Permanent Fund Corporation at your request.

**Financial Projection #1:** This is the status quo case as of March 31, 1989. It provides the benchmark against which to compare and contrast any changes to current law.

**Financial Projection #2:** This projection depicts the impact of enactment of Senate Bill No. 284. It is the Corporation's understanding that this bill would increase from 25% to 43% the rate of contribution to the Permanent Fund of all mineral lease rentals, royalties, royalty sale proceeds, net profit shares under AS 38.05.180(f) and (g), and federal mineral revenue sharing payments received by the state on or after July 1, 1989, from mineral leases issued on or before December 1, 1979.

In other words, the dedicated revenues which have been flowing to the Permanent Fund at the 25% contribution rate would be increased to the 43% level, and those revenues which have been flowing at the 50% contribution rate would continue unchanged.

Commentary on the Charts: In all cases, the Department of Revenue Spring 1989 low-case forecast is used.

Chart #3 compares the contribution of dedicated revenues to the Permanent Fund each year from 1990 - 2005 under both the status quo and SB 284.

Chart #4 again compares those contributions, but also depicts them in relation to the total amount of state oil revenues projected to be received each year from 1990 - 2005.

Chart #5 compares the cumulative total contributions under the status quo and SB 284 with the cumulative total state oil revenues projected to be received during that same period.

The following analysis concerns itself with certain impacts on the Permanent Fund (all figures except per capita dividends are in millions of dollars):

- 1) How would this proposal affect the growth of Fund principal?

Fund Principal Balance

	Status Quo	Projection #2 (SB 284)
June 30, 1989:	9,135	9,135
June 30, 2000:	18,229	19,542
June 30, 2005:	23,390	25,214

- 2) How would it affect the level of Fund net income produced in the future?

Annual Net Income

	Status Quo	Projection #2
Fiscal 1989:	838	838
Fiscal 2000:	1,634	1,749
Fiscal 2005:	2,100	2,263

- 3) How would it affect total dividend distributions (in millions) and the amounts of annual per capita dividends?

Dividend Distributions

	Status Quo	Projection #2
June 30, 1989:	459	459
June 30, 2000:	772	821
June 30, 2005:	1,001	1,077

Per Capita Dividend Payments

	Status Quo	Projection #2
Calendar 1989:	\$ 840.00	\$ 840.00
Calendar 2000:	1,097.00	1,170.00
Calendar 2005:	1,294.00	1,397.00

- 4) How would it affect inflation-proofing transfers?

Inflation-Proofing Transfers

	Status Quo	Projection #2
June 30, 1989:	358	358
June 30, 2000:	862	928
June 30, 2005:	1,099	1,186

5) How would it affect amounts of dedicated state revenues?

Dedicated State Revenues

	Status Quo	Projection #2
June 30, 1989:	192	192
June 30, 2000:	67	114
June 30, 2005:	18	31

Compared to the status quo, the most noticeable effects of adoption of the changes depicted in this proposal would be as follows:

Fund principal would be \$1.3 billion larger in 2000 and \$1.8 billion larger in 2005.

Net income would be \$115 million larger in 2000 and \$163 million larger in 2005.

The dividend distribution would be \$49 million larger in 2000 and \$76 million larger in 2005.

Per capita dividends would be \$73 larger in 2000 and \$103 larger in 2005.

The inflation-proofing transfer would be \$66 million larger in 2000 and \$87 million larger in 2005.

The dedicated state revenues would be \$47 million larger in 2000 and \$13 million larger in 2005.

**For Your Information:** These projections are based on a certain set of basic assumptions; the numbers shown on these sheets would change if different assumptions were used. The assumptions used in the preparation of each projection are listed at the bottom of each projection sheet, and explained herein.

It is the Corporation's policy to use conservative assumptions wherever possible. Thus, the Fund's long-term rate of return is projected to average 3% per year after inflation; long-term inflation is projected to average 6% per year; and the assumptions for numbers of future dividend recipients and amounts of future

Senator Dick Eliason

April 21, 1989

Page 4

dedicated State oil revenues are taken from the Department of Revenue's most recent "low case" forecast.

PLEASE NOTE THAT THE CORPORATION NEITHER SUPPORTS NOR OPPOSES ANY PROPOSED CHANGES TO THE CURRENT USE OF FUND EARNINGS, EXCEPT AS THEY MAY RELATE TO THE PROPER EXERCISE OF THE TRUSTEES' FIDUCIARY RESPONSIBILITIES AS REQUIRED UNDER THE PRUDENT INVESTOR RULE.



# 1  
Status Quo

## Alaska Permanent Fund Corporation

### FINANCIAL PROJECTIONS (in millions)

as of March 31, 1989

FY	PRINCIPAL					INCOME								
	FY Begin Balance	Appropriations	Dedicated State Revenues*	Inflation Proofing	FY End Balance	Inflation Proofing Shortfall	Net Income	Distributions Dividends	Per Capita Dividends*	Inflation Proofing	General Fund	Reserves Add (Delete)	FY End Balance	FY
78			54		54		2				1			78
79	54		84		139		8				7			79
80	139		344		483		32	12			12			80
81	483	900	385		1,769		150	28			28	59	59	81
82	1,769	800	401		2,969		368	71	\$1,000.00		71	185	244	82
83	2,969	400	421	231	4,021		471	108	\$386.15	231	110	110	354	83
84	4,021	300	366	151	4,838		530	175	\$331.29	151		203	557	84
85	4,838	300	368	235	5,741		658	217	\$404.00	235		206	763	85
86	5,741		323	216	6,281		1,021	303	\$556.26	216		501	1,264	86
87	6,281	1,264	171	148	7,864		1,069	391	\$708.19	148		529	529	87
88	7,864		418	303	8,585		789	424	\$826.93	303		62	591	88
89	8,585		192	358	9,135		838	459	\$840.00	358		20	611	89
90	9,135		172	465	9,772		819	477	\$817.00	465		( 123)	489	90
91	9,772		149	595	10,516		974	473	\$794.00	595		( 94)	395	91
92	10,516		141	639	11,296		1,035	470	\$774.00	639		( 75)	320	92
93	11,296		134	686	12,116		1,101	501	\$809.00	686		( 85)	235	93
94	12,116		128	735	12,979		1,170	535	\$850.00	735		( 109)	135	94
95	12,979		114	786	13,878		1,241	580	\$904.00	786		( 124)	11	95
96	13,878		104	709	14,692	130	1,314	615	\$942.00	709		( 11)		96
97	14,692		98	737	15,526	151	1,389	653	\$981.00	737				97
98	15,526		95	777	16,397	161	1,468	691	\$1,019.00	777				98
99	16,397		85	818	17,300	171	1,549	731	\$1,058.00	818				99
0	17,300		67	862	18,229	181	1,634	772	\$1,097.00	862				0
1	18,229		56	906	19,190	191	1,721	815	\$1,136.00	906				1
2	19,190		51	952	20,193	203	1,811	859	\$1,176.00	952				2
3	20,193		17	999	21,209	214	1,904	905	\$1,215.00	999				3
4	21,209		17	1,047	22,274	226	2,000	952	\$1,255.00	1,047				4
5	22,274		18	1,099	23,390	239	2,100	1,001	\$1,294.00	1,099				5
-----														
Cumulative Totals: 3,964      4,973      14,453      23,390      1,865      29,164      13,218      \$21,990.82      14,453      229														
=====														

ASSUMPTIONS:

4.08% Inflation Rate FY 89  
9.21% Rate of Return FY 89

5.00% Inflation Rate FY 90  
8.00% Rate of Return FY 90

6.00% Inflation Rate FY 91-05  
9.00% Rate of Return FY 91-05

\* SOURCE: Dedicated Revenues and Population Projections From Alaska Department of Revenue Spring 1989 Low-Case Revenue Forecast Except 1989 Estimate of 530,000 Eligible PFD Applicants By DOR Permanent Fund Dividend Division

4/21/89  
STATUS QUO



#2  
SB 284

## Alaska Permanent Fund Corporation

### FINANCIAL PROJECTIONS

(in millions)

as of March 31, 1989

FY	PRINCIPAL					INCOME											
	FY Begin Balance	Appro- priations	Dedicated State Revenues*	Inflation Proofing	FY End Balance	Inflation Proofing Shortfall	Net Income	Distributions		General Fund	Reserves						
							Dividends	Per Capita Dividends**	Inflation Proofing		Add (Delete)	FY End Balance	FY				
78			54		54					1			78				
79	54		84		139					7			79				
80	139		344		483		12			12			80				
81	483	900	385		1,769		28			28	59	59	81				
82	1,769	800	401		2,969		71	\$1,000.00		71	185	244	82				
83	2,969	400	421	231	4,021		108	\$386.15	231	110	110	354	83				
84	4,021	300	366	151	4,838		175	\$331.29	151		203	557	84				
85	4,838	300	368	235	5,741		217	\$404.00	235		206	763	85				
86	5,741		323	216	6,281		303	\$556.26	216		501	1,264	86				
87	6,281	1,264	171	148	7,864		391	\$708.19	148		529	529	87				
88	7,864		418	303	8,585		424	\$826.93	303		62	591	88				
89	8,585		192	358	9,135		459	\$840.00	358		20	611	89				
90	9,135		290	471	9,896		477	\$818.00	471		( 124)	487	90				
91	9,896		252	609	10,758		475	\$798.00	609		( 93)	394	91				
92	10,758		238	660	11,655		476	\$783.00	660		( 73)	321	92				
93	11,655		227	713	12,594		510	\$824.00	713		( 83)	237	93				
94	12,594		217	769	13,580		550	\$873.00	769		( 99)	139	94				
95	13,580		193	826	14,600		600	\$936.00	826		( 124)	14	95				
96	14,600		177	758	15,534	128	641	\$983.00	758		( 14)		96				
97	15,534		165	787	16,486	155	684	\$1,030.00	787				97				
98	16,486		160	833	17,478	166	729	\$1,077.00	833				8				
99	17,478		143	880	18,501	178	774	\$1,123.00	880				99				
0	18,501		114	928	19,542	189	821	\$1,170.00	928				0				
1	19,542		96	977	20,614	202	870	\$1,216.00	977				1				
2	20,614		88	1,027	21,730	215	920	\$1,261.00	1,027				2				
3	21,730		29	1,079	22,837	227	971	\$1,307.00	1,079				3				
4	22,837		30	1,130	23,997	242	1,023	\$1,352.00	1,130				4				
5	23,997		31	1,186	25,214	256	1,077	\$1,397.00	1,186				5				
Cumulative Totals:							3,964	5,975	15,275	25,214	1,957	30,553	13,786	\$22,000.82	15,275	229	

ASSUMPTIONS: 4.08% Inflation Rate FY 89  
9.21% Rate of Return FY 89

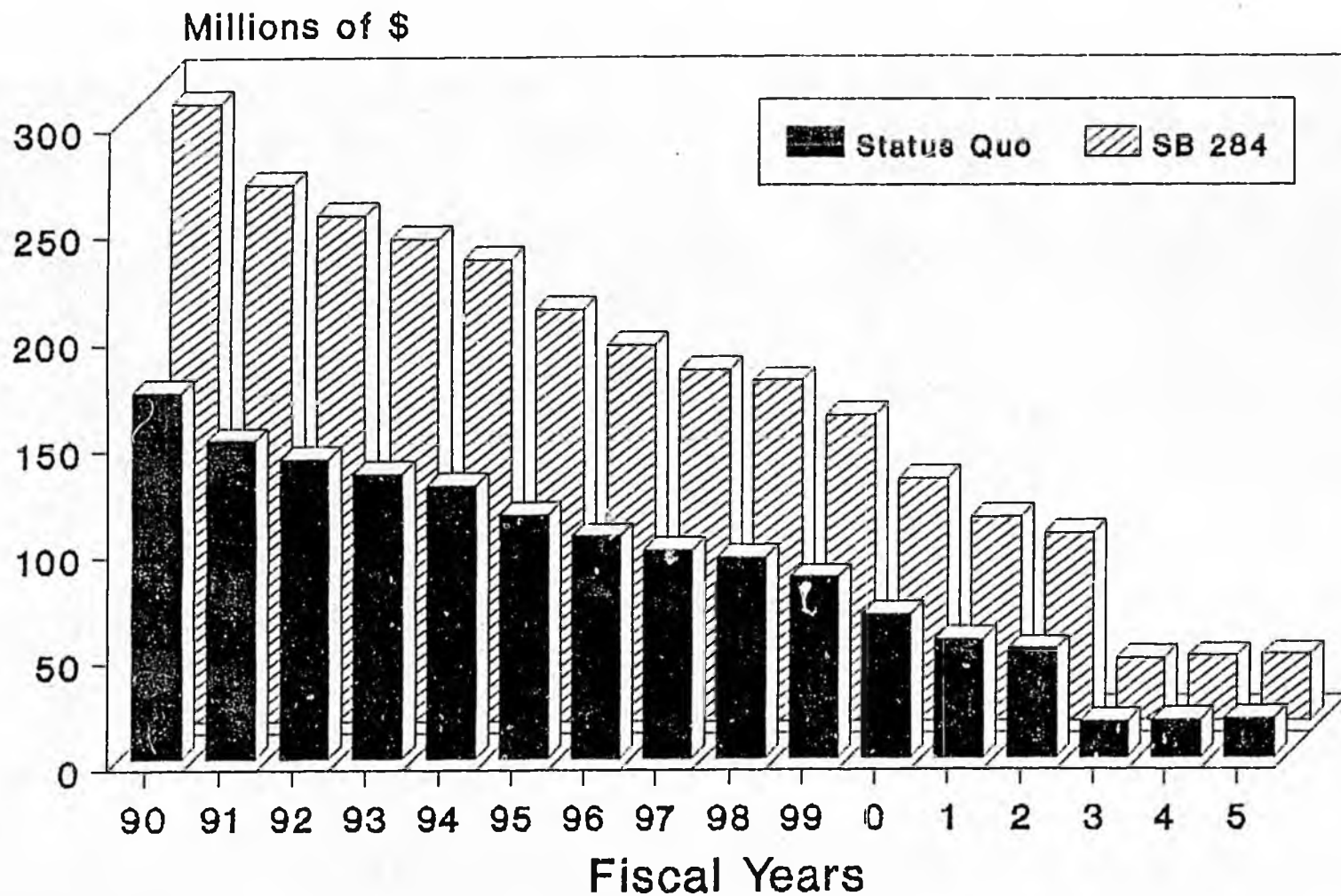
5.00% Inflation Rate FY 90  
8.00% Rate of Return FY 90

6.00% Inflation Rate FY 91-05  
9.00% Rate of Return FY 91-05

\* SOURCE: Dedicated Revenues and Population Projections From Alaska Department of Revenue Spring 1989 Low-Case Revenue Forecast Except 1989 Estimate of 530,000 Eligible PFD Applicants By DOR Permanent Fund Dividend Division

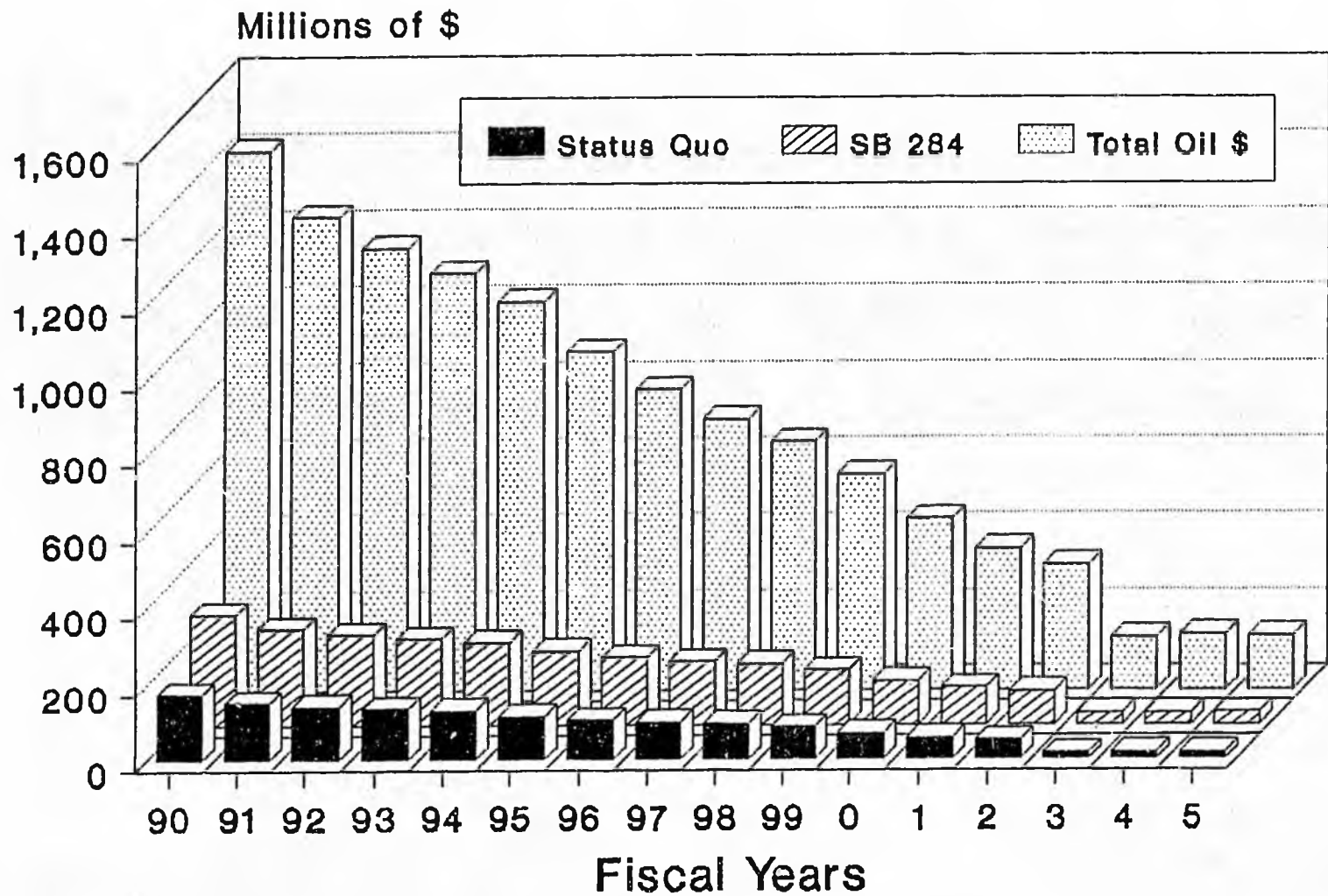
# DEDICATED OIL REVENUES TO FUND

## A Comparison of Status Quo and SB 284



Source: APFC 4/21/89

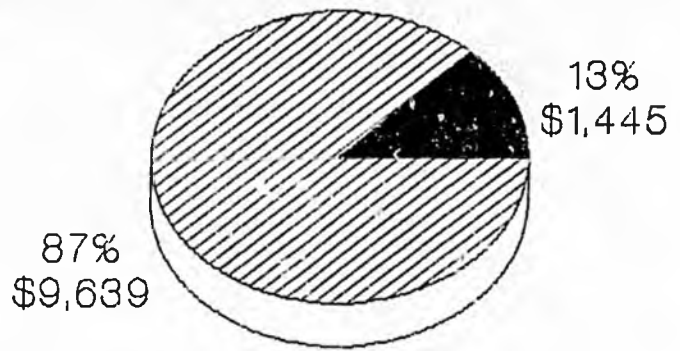
# DEDICATED OIL REVENUES TO FUND COMPARED TO TOTAL STATE OIL \$



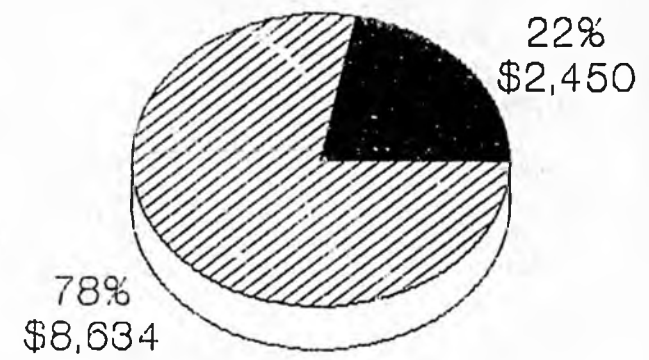
Source: APFC 4/21/89

#5

# DEDICATED OIL REVENUES TO FUND AS A % OF TOTAL STATE OIL \$ 1990 - 2005 (in millions)



Status Quo



SB 284

Total State Oil Revenues 1990-2005: \$11.1 Billion

Source: APFC 4/21/89

#5

## CASE 1

### HOW THE ELF IS CALCULATED

$$\text{ELF} = (1 - [\text{PEL}/\text{TP}])\text{exp}(460*\text{WD}/\text{PEL})$$

PEL = (Production at the Economic Limit) =  
(300 barrels per day)\*  
(average number of operating wells during the month)\*  
(number of days of production for the month).

#### EXAMPLE

$$\text{PEL} = 300 \text{ barrels} * 541 \text{ wells} * 30 \text{ days} = 4,869,000 \text{ barrels per month}$$

TP = (Total Production for the field for the month) =  
(average number of operating wells during the month)\*  
(number of days of production for the month)\*  
(average daily production per well).

#### EXAMPLE

$$\text{TP} = 541 \text{ wells} * 30 \text{ days} * 2477 \text{ barrels per well} = 40,201,710 \text{ barrels per month}$$

WD = (Well Days) =  
(number of operating wells during the month)\*  
(number of days each well operates)

#### EXAMPLE

$$\text{WD} = 541 \text{ wells} * 30 \text{ days} = 16,230 \text{ well days}$$

### CALCULATION EXAMPLE

$$\text{ELF} = (1 - [ \text{PEL} / \text{TP} ]) \text{exp}(460 * \text{WD} / \text{PEL} )$$

$$\text{ELF} = (1 - [4,869,000/40,201,710])\text{exp}(460*16,230/4,869,000)$$

$$\text{ELF} = (1 - .1211) \text{exp} (1.533)$$

$$\text{ELF} = (.8789) \text{exp} (1.533)$$

$$\text{ELF} = .82$$

	addit tax from HB 118	perm fund contr	royalties	percent
<b>low case</b>				
1990	124	166	650	44.62
1991	117	144	563	46.36
1992	131	135	530	50.19
1993	135	129	506	52.17
1994	132	123	484	52.69
1995	120	110	430	53.49
1996	112	100	392	54.08
1997	107	94	366	54.92
1998	104	91	354	55.08
1999	98	81	317	56.47
2000	86	64	249	60.24
2001	75	52	209	60.77
2002	68	48	192	60.42
2003	0	0	0	0
2004	0	0	0	0
2005	0	0	0	0
2006	0	0	0	0
2007	0	0	0	0
2008	0	0	0	0
2009	0	0	0	0
2010	0	0	0	0

	addit tax from HB 118	perm fund contr	royalties	percent
<b>midcase</b>				
1990	171	242	948	43.57
1991	101	241	940	44.89
1992	192	241	939	46.11
1993	207	244	947	47.62
1994	207	236	914	48.47
1995	194	218	844	48.82
1996	180	207	795	48.68
1997	165	200	758	48.15
1998	157	192	728	47.94
1999	140	177	669	48.58
2000	139	162	612	49.18
2001	129	145	564	48.58
2002	110	135	509	48.13
2003	86	119	449	45.66
2004	69	107	406	43.35
2005	45	90	343	39.36
2006	21	83	318	32.70
2007	4	78	298	27.52
2008	-3	73	281	24.91
2009	0	51	174	29.31
2010	0	97	300	32.33

APPROX  
25%

A+1  
C

Source:  
Dept. of  
Revenue

What perm. fund  
contribution rates  
would have to be  
to have additional  
contributions equal  
to the increased  
revenues under  
HB 118, for different  
years and price  
scenarios.

	addit tax from HB 118	perm fund contr	royalties	percent
<b>high case</b>				
1990	215	321	1251	42.85
1991	243	341	1330	43.91
1992	263	359	1386	44.88
1993	275	393	1490	44.83
1994	272	417	1573	43.80
1995	254	420	1578	42.71
1996	236	426	1595	41.50
1997	214	433	1615	40.06
1998	170	474	1742	36.97
1999	165	467	1685	37.51
2000	153	464	1663	37.10
2001	153	453	1615	37.52
2002	175	454	1613	39.00
2003	167	443	1570	38.85
2004	158	446	1580	38.23
2005	149	439	1551	37.91
2006	139	461	1635	36.70
2007	126	454	1610	36.02
2008	94	448	1591	34.07
2009	60	437	1565	31.76
2010	11	447	1617	28.32

↑  
This column  
shows actual  
percent needed  
in AS37.13.010  
(a)(1) to  
equal forecasted  
ELF increase  
plus current 25%

# Alaska State Legislature

Senate Advisory Council



PO. Box V  
State Capitol  
Juneau, Alaska 99811  
Phone: (907) 465-3114

## MEMORANDUM

TO: Senator Dick Eliason  
Alaska State Senate

FROM: Sheila F. Helgath, PhD *SH*  
Legislative Analyst

DATE: April 18, 1989

SUBJECT: Contributions to Permanent Fund and General Fund as a Result of  
SB 284; Research Request #89-100049

Attached are three tables which show the additional amount of money the Permanent Fund and General Fund would receive if ELF were changed under SB 284 and the rate of royalty contributions were changed. The royalty rates has been calculated at 43%, 44%, and 45%.

If you have further questions please call.

attachments:

*Explains  
what 43%*

SB 284  
43.9%

Table 1. The Effect of Changing the Portion of Royalty Contributions to the Permanent Fund Now Set at a 25 Percent Contribution Rate to 43% and ELF Under SB 284

(Millions Dollars/1)

Fiscal Year	ELF SB 284 (A)	PF @ 25% Current Contribution (B)	PF Royalty + ELF (A+B) (C)	Contribution to PF @ 43% (See Footnote/2) (D)	Amount of PF Contribution due to SB 284 (E)	Contribution to General Fund (C-D) (F)
1990	171	232	403	398	167	4
1991	181	230	411	395	165	16
1992	192	228	420	393	164	28
1993	207	229	436	394	165	42
1994	207	221	428	380	159	48
1995	194	204	398	351	147	47
1996	180	190	370	327	137	43
1997	165	179	344	308	129	36
1998	157	172	329	296	124	33
1999	148	157	305	270	113	35
2000	139	144	283	247	103	36
TOTAL	1,941	2,185	4,126	3,759	1,574	367

Source: Alaska Department of Revenue Forecasts for Spring 1989  
Prepared by Senate Advisory Council April 18, 1989

/1 Rounding may cause some numbers not to total exactly.

/2 These amounts represent only that portion of the royalty contribution to the Permanent Fund that is currently contributed at a rate of 25%. The royalty rate for other contributions is 50%.

E = increased amt to PF  
F = spillover to GF

A+B=C  
D-B=E  
C-D=F

44.70

Table 2. The Effect of Changing the Portion of Royalty Contributions to the Permanent Fund Now Set at a 25 Percent Contribution Rate to 44% and ELF Under SB 284 (Millions Dollars/1)

Fiscal Year	ELF SB 284 (A)	PF @ 25% Current Contribution (B)	PF Royalty + ELF (A+B) (C)	Contribution to PF @ 44% (See Footnote/2) (D)	Amount of PF Contribution due to SB 284 (E)	Contribution to General Fund (C-D) (F)
1990	171	232	403	407	176	-5
1991	181	230	411	404	174	7
1992	192	228	420	402	173	19
1993	207	229	436	403	174	33
1994	207	221	428	389	168	39
1995	194	204	398	359	155	39
1996	180	190	370	335	145	35
1997	165	179	344	316	136	29
1998	157	172	329	302	131	26
1999	148	157	305	276	119	29
2000	139	144	283	253	109	30
<b>TOTAL</b>	<b>1,941</b>	<b>2,185</b>	<b>4,126</b>	<b>3,846</b>	<b>1,661</b>	<b>280</b>

Source: Alaska Department of Revenue Forecasts for Spring 1989  
 Prepared by Senate Advisory Council April 18, 1989

/1 Rounding may cause some numbers not to total exactly.

/2 These amounts represent only that portion of the royalty contribution to the Permanent Fund that is currently contributed at a rate of 25%. The royalty rate for other contributions is 50%.

45%

Table 3. The Effect of Changing the Portion of Royalty Contributions to the Permanent Fund Now Set at a 25 Percent Contribution Rate to 45% and ELF Under SB 284 (Millions Dollars/1)

Fiscal Year	ELF SB 284 (A)	PF @ 25% Current Contribution (B)	PF Royalty + ELF (A+B) (C)	Contribution to PF @ 45% (See Footnote/2) (D)	Amount of PF Contribution due to SB 284 (E)	Contribution to General Fund (C-D) (F)
1990	171	232	403	417	185	-14
1991	181	230	411	413	184	-3
1992	192	228	420	411	183	9
1993	207	229	436	413	183	24
1994	207	221	428	398	177	30
1995	194	204	398	367	163	31
1996	180	190	370	342	152	28
1997	165	179	344	323	143	22
1998	157	172	329	309	137	20
1999	148	157	305	283	126	22
2000	139	144	283	259	115	24
<b>TOTAL</b>	<b>1,941</b>	<b>2,185</b>	<b>4,126</b>	<b>3,934</b>	<b>1,748</b>	<b>193</b>

Source: Alaska Department of Revenue Forecasts for Spring 1989  
 Prepared by Senate Advisory Council April 18, 1989

/1 Rounding may cause some numbers not to total exactly.

/2 These amounts represent only that portion of the royalty contribution to the Permanent Fund that is currently contributed at a rate of 25%. The royalty rate for other contributions is 50%.

rec 4-19-89

ALASKA STATE LEGISLATURE - SENATE

SENATOR RICHARD I. ELIASON

LABOR & COMMERCE COMMITTEE, CHAIRMAN  
RESOURCES COMMITTEE  
RULES COMMITTEE  
SPECIAL COMMITTEE ON HIGH SEAS  
SALMON INTERCEPTION  
SELECT COMMITTEE ON  
LEGISLATIVE ETHICS



P.O. BOX 143  
SITKA, ALASKA 99835

P.O. BOX V  
JUNEAU, ALASKA 99811  
(907) 465-4916

FAX (507) 465-4928

M E M O R A N D U M

TO: Sen. Pat Pourchet, Chairman  
Senate State Affairs Committee

FROM: Sen. Dick Eliason

A handwritten signature in black ink, appearing to read "Dick Eliason", written over the typed name.

DATE: April 18, 1989

RE: SB 284, Relating to certain revenue from mineral sources and to the oil and gas properties production tax.

SB 284 was introduced yesterday and referred to the State Affairs Committee. I would very much appreciate your scheduling hearings on the bill as soon as possible.

SB 284 proposes to amend the Economic Limit Factor of the state's oil severance tax structure just as the Senate CS for HB 118 (the so-called "ELF bill") which was passed recently by the Senate Judiciary committee does. However, the significant difference is that this bill would, in effect, put the extra tax revenue which is generated into the Alaska Permanent Fund. This is accomplished by raising the percentage of oil royalty monies which flow directly into the Permanent Fund each year to approximate the amount of money generated by the amendments to the ELF.

Changes in the ELF are needed in order to accomplish its original goal of providing incentives for development in marginal oil fields. But a number of legislators and members of the public have been reluctant to amend the ELF, and simply allow that extra tax revenue to be spent to maintain a state budget which is inappropriately high. A better use of it would be to set it aside in the Permanent Fund to help ensure that the state will be able to provide basic government services in the future, when our oil revenues drop drastically.

If I can provide back-up information, or if you would like to discuss this legislation, please contact my office.

Thanks for your consideration.

STATE OF ALASKA  
THE LEGISLATURE

POUCH Y STATE CAPITOL  
JUNEAU, ALASKA 99811  
907 465 3800

LEGISLATIVE AFFAIRS AGENCY

MEMORANDUM

April 24, 1989

SUBJECT: Sectional summary of SB 284  
TO: Senator Dick Eliason  
FROM: Tamara Brandt Cook *TBC*  
Director  
Division of Legal Services

Section 1. Currently 25 percent of mineral related income from leases issued on or before December 1, 1979 goes to the principal of the permanent fund. This section changes that so, if payment is received on or after July 1, 1989, 43 percent goes to the principal of the permanent fund.

Section 2. Alters the economic limit factor used for calculating taxes on oil production.

Section 3. Deletes material currently in subsection (d) relating to establishing this production rate as a presumption that is rebuttable by the taxpayer at a formal hearing.

Section 4. Deletes additional material from the current economic limit factor statute.

Section 5. Establishes an effective date tied to the fiscal year.

TBC:kb  
wkk4/041

**Section 6 - Public Purpose.**

No tax shall be levied, or appropriation of public money made, or public property transferred, nor shall the public credit be used, except for a public purpose.

**Section 7 - Dedicated Funds.**

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 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. [Amendment approved November 2, 1976 - Effective February 21, 1977]

**Section 8 - State Debt.**

No state debt shall be contracted unless authorized by law for capital improvements or unless authorized by law for housing loans for veterans, and ratified by a majority of the qualified voters of the State who vote on the question. The State may, as provided by law and without ratification, contract debt for the purpose of repelling invasion, suppressing insurrection, defending the State in war, meeting natural disasters, or redeeming indebtedness outstanding at the time this constitution becomes effective. [Amendment approved November 2, 1982 - Effective December 24, 1982]

**Section 9 - Local Debts.**

No debt shall be contracted by any political subdivision of the State, unless authorized for capital improvements by its governing body and ratified by a majority vote of those qualified to vote and voting on the question.

**Section 10 - Interim Borrowing.**

The State and its political subdivisions may borrow money to meet appropriations for any fiscal year in anticipation of the collection of the revenues for that year, but all debt so contracted shall be paid before the end of the next fiscal year.

Back-up for SB 284

**Section 11 - Exceptions.**

The restrictions on contracting debt do not apply to debt incurred through the issuance of revenue bonds by a public enterprise or public corporation of the State or a political subdivision, when the only security is the revenues of the enterprise or corporation. The restrictions do not apply to indebtedness to be paid from special assessments on the benefited property, nor do they apply to refunding indebtedness of the State or its political subdivisions.

**Section 12 - Budget.**

The governor shall submit to the legislature, at a time fixed by law, a budget for the next fiscal year setting forth all proposed expenditures and anticipated income of all departments, offices, and agencies of the State. The governor, at the same time, shall submit a general appropriation bill to authorize the proposed expenditures, and a bill or bills covering recommendations in the budget for new or additional revenues.

**Section 13 - Expenditures.**

No money shall be withdrawn from the treasury except in accordance with appropriations made by law. No obligation for the payment of money shall be incurred except as authorized by law. Unobligated appropriations outstanding at the end of the period of time specified by law shall be void.

**Section 14 - Legislative Post-Audit.**

The legislature shall appoint an auditor to serve at its pleasure. He shall be a certified public accountant. The auditor shall conduct post-audits as prescribed by law and shall report to the legislature and to the governor.

**Section 15 - Alaska Permanent Fund.**

At least twenty-five per cent of all mineral lease rentals, royalties, royalty sale proceeds, federal mineral revenue sharing payments and bonuses received by the State shall be placed in a permanent fund, the principal of which shall be used only for those income-producing investments specifically designated by law as eligible for permanent fund investments. All income from the permanent fund shall be deposited in the general fund unless otherwise provided by law. [Amendment approved November 2, 1976 - Effective February 21, 1977]

# Alaska State Legislature

Sen. Pat Pourchot, Chairman

Sen. Jan Faiks, Vice Chairman

Sen. Al Adams

Sen. Tim Kelly

Sen. Rick Uehling



P.O. Box V  
State Capitol  
Juneau, Alaska 99811

907-465-3712

## Senate State Affairs Committee

### MEMORANDUM

TO: Senate State Affairs Committee Members

FROM: Senator Pat Pourchot, Chairman

RE: April 24 Committee Meeting

DATE: April 24, 1989

Today at 1:30 in the Beltz Room the Senate State Affairs Committee will hear the following bills:

SJR 38, Proposing an amendment to the Constitution of the State of Alaska relating to terms of legislators

SJR 38 would, by Constitutional amendment, limit tenure in the Legislature to eight consecutive years. After serving eight years a person would again be eligible to seek legislative office at the second biennial election. SJR 38 would go before the voters at the next general election and, if approved, would take effect at the 1992 election.

Article III, sec. 5 of the Constitution limits governors to two full successive terms. After the two terms a person is not eligible to seek the governor's office until one full term has intervened.

SB 284, An Act relating to certain revenue from mineral sources and to the oil and gas properties production tax

SB 284 would amend the Economic Limit Factor of the state's oil severance tax structure in the same manner the Senate Judiciary CS for HB 118 (the "ELF bill") would. The additional tax revenue would effectively be deposited in the Permanent Fund through increasing from 25% to 43% the statutory percentage of mineral proceeds deposited in the fund. The increase would apply only to payments received by the state after July 1, 1989 from mineral leases issued prior to December 1, 1979.

It is my intent that the State Affairs Committee focus its attention on SB 284's impact on the Permanent Fund, rather than on the ELF provisions. According to the Permanent Fund Corporation, passage of SB 284 would result in the fund principal being \$1.3 billion larger in the year 2000, net income being \$115 million larger, per capita dividends being \$73 larger, and the inflation proofing transfer being \$66 million larger. The projections prepared by the corporation are attached.

1 IN THE SENATE

BY ELIASON, JONES,  
AND ADAMS

2

SENATE BILL NO. 284

3

IN THE LEGISLATURE OF THE STATE OF ALASKA

4

SIXTEENTH LEGISLATURE - FIRST SESSION

5

A BILL

6 For an Act entitled: "An Act relating to certain revenue from mineral  
7 sources and to the oil and gas properties production  
8 tax; and providing for an effective date."

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

10 \* Section 1. AS 37.13.010(a) is amended to read:

11 (a) Under art. IX, sec. 15 of the state constitution, there is  
12 established as a separate fund the Alaska permanent fund. The Alaska  
13 permanent fund consists of

14 (1) 25 percent of all mineral lease rentals, royalties,  
15 royalty sale proceeds, net profit shares under AS 38.05.180(f) and  
16 (g), and federal mineral revenue sharing payments received by the  
17 state before July 1, 1989, from mineral leases issued on or before  
18 December 1, 1979, and 25 percent of all bonuses received by the state  
19 from mineral leases issued on or before February 15, 1980;

20 (2) 50 percent of all mineral lease rentals, royalties,  
21 royalty sale proceeds, net profit shares under AS 38.05.180(f) and  
22 (g), and federal mineral revenue sharing payments received by the  
23 state from mineral leases issued after December 1, 1979, and 50 per-  
24 cent of all bonuses received by the state from mineral leases issued  
25 after February 15, 1980;

26 (3) 43 percent of all mineral lease rentals, royalties,  
27 royalty sale proceeds, net profit shares under AS 38.05.180(f) and  
28 (g), and federal mineral revenue sharing payments received by the  
29 state on or after July 1, 1989, from mineral leases issued on or

*Intent: amt. equal to amt ELF would  
generate → Permanent Fund*

# **CORRECTION**

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

# Alaska State Legislature



Sen. Pat Pourchot, Chairman

Sen. Jan Faika, Vice Chairman  
Sen. Al Adams  
Sen. Tim Kelly  
Sen. Rick Uehling

P.O. Box V  
State Capitol  
Juneau, Alaska 99811

907-465-3712

## Senate State Affairs Committee

### MEMORANDUM

TO: Senate State Affairs Committee Members  
FROM: Senator Pat Pourchot, Chairman  
RE: April 24 Committee Meeting  
DATE: April 24, 1989

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SB 284, An Act relating to certain revenue from mineral sources and to the oil and gas properties production tax

SB 284 would amend the Economic Limit Factor of the state's oil severance tax structure in the same manner the Senate Judiciary CS for HB 118 (the "ELF bill") would. The additional tax revenue would effectively be deposited in the Permanent Fund through increasing from 25% to 43% the statutory percentage of mineral proceeds deposited in the fund. The increase would apply only to payments received by the state after July 1, 1989 from mineral leases issued prior to December 1, 1979.

It is my intent that the State Affairs Committee focus its attention on SB 284's impact on the Permanent Fund, rather than on the ELF provisions. According to the Permanent Fund Corporation, passage of SB 284 would result in the fund principal being \$1.3 billion larger in the year 2000, net income being \$115 million larger, per capita dividends being \$73 larger, and the inflation proofing transfer being \$66 million larger. The projections prepared by the corporation are attached.

SB 295, An Act relating to transfers to the dividend fund

SB 295 would exclude potential revenue from the State v. Amerada Hess case from the Permanent Fund earnings available for distribution as dividends. The fund's legally mandated share of money awarded after trial would be credited to the principal of the fund at the time of receipt. Income earned on that money could not be distributed to the dividend fund.

SB 295 is intended to eliminate certain due process arguments currently advanced by the defendants. Standard Alaska Petroleum, Exxon, and Chevron USA filed suit in federal court to prevent the case from being tried in Alaska on the grounds that any judge and jury would be biased because they have a financial stake (through the Permanent Fund Dividend) in the outcome. The U.S. District Court ruled in the State's favor; the matter is currently under appeal to the Ninth Circuit Court of Appeals.

Trial in the Amerada Hess case is scheduled for April 4, 1990. If the State prevails, we could receive from \$400 million to \$2.6 billion.

HB 34, An Act establishing durational residency requirements, not to exceed two years, for receipt of the permanent fund dividend and receipt of benefits under the longevity bonus program

HB 34 would increase the durational residency requirement for the permanent fund dividend program from 6 months to 2 years, and for the longevity bonus program from 1 year to 2 years. The bill provides that if a court rules the 2-year requirement invalid, the requirement is one year; if a court rules 1-year invalid, the requirement is the longest duration permitted by law. Current recipients would be "grandfathered in".

HB 34 raises constitutional questions. The Department of Law fiscal note (\$30,000) anticipates legal challenge of the bill. The Department of Administration fiscal note indicates annual savings based on fewer persons being eligible.

Recent court rulings on Alaska's residency requirements include the Vest decision which struck down the Longevity Bonus requirement of residency since statehood, the Zobel decision which struck down the Permanent Fund Dividend disbursement mechanism based on number of years of residency, and the Andress decision which upheld the Alaska Student Loan requirement of residency for 2 years.

A summary of current statutory residency provisions is attached.

1 IN THE SENATE

BY ELIASON, JONES,  
AND ADAMS

2

SENATE BILL NO. 284

3

IN THE LEGISLATURE OF THE STATE OF ALASKA

4

SIXTEENTH LEGISLATURE - FIRST SESSION

5

A BILL

6

For an Act entitled: "An Act relating to certain revenue from mineral sources and to the oil and gas properties production tax; and providing for an effective date."

7

8

9

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

10

\* Section 1. AS 37.13.010(a) is amended to read:

11

(a) Under art. IX, sec. 15 of the state constitution, there is

12

established as a separate fund the Alaska permanent fund. The Alaska

13

permanent fund consists of

14

(1) 25 percent of all mineral lease rentals, royalties,

15

royalty sale proceeds, net profit shares under AS 38.05.180(f) and

16

(g), and federal mineral revenue sharing payments received by the

17

state before July 1, 1989, from mineral leases issued on or before

18

December 1, 1979, and 25 percent of all bonuses received by the state

19

from mineral leases issued on or before February 15, 1980;

20

(2) 50 percent of all mineral lease rentals, royalties,

21

royalty sale proceeds, net profit shares under AS 38.05.180(f) and

22

(g), and federal mineral revenue sharing payments received by the

23

state from mineral leases issued after December 1, 1979, and 50 per-

24

cent of all bonuses received by the state from mineral leases issued

25

after February 15, 1980;

26

(3) 43 percent of all mineral lease rentals, royalties,

27

royalty sale proceeds, net profit shares under AS 38.05.180(f) and

28

(g), and federal mineral revenue sharing payments received by the

29

state on or after July 1, 1989, from mineral leases issued on or

SB0284a

-1-

SB 284

Intent: amt. equal to amt ELF would generate → Permanent Fund

1        before December 1, 1979;

2                (4) any other money appropriated to or otherwise allocated  
3 by law to the Alaska permanent fund.

4 \* Sec. 2. AS 43.55.013(b) is repealed and reenacted to read:

5                (b) The economic limit factor for oil production of a lease or  
6 property shall be computed according to the following formula:

7                 $(1 - [PEL/TP]) \exp ([150,000/(TP/Days)] \exp [(460 \times WD)/PEL])$

8 where: PEL = the monthly production rate at the economic limit;

9                TP = the total production during the month for which the  
10 tax is to be paid;

11                WD = the total number of well days in the month for which  
12 the tax is to be paid;

13                Days = the number of days in the month for which the tax is  
14 to be paid; and

15                exp = exponent.

16 \* Sec. 3. AS 43.55.013(d) is repealed and reenacted to read:

17                (d) The monthly production rate at the economic limit for a  
18 lease or property is 300 barrels times the number of well days for the  
19 lease or property during the month for which the tax is to be paid.

20 \* Sec. 4. AS 43.55.013(e) and 43.55.013(f) are repealed.

21 \* Sec. 5. This Act takes effect July 1, 1989.

JERRY.M.TXT

# ALASKA STATE LEGISLATURE

Sen. Pat Pourchot, Chairman

Sen. Jan Faiks, Vice Chairman

Sen. Al Adams

Sen. Tim Kelly

Sen. Rick Uehling



P.O. Box V  
Juneau, AK 99811

907-465-3712

## Senate State Affairs Committee

May 10, 1989

Jerry McCutcheon  
121 West 11th  
Anchorage, Alaska 99501

Dear Jerry:

Although I'm sure you've seen the adjournment coverage in the newspaper, I wanted to drop you a note in regard to your last public opinion message on SB 284.

SB 284, which would have annually appropriated to the Permanent Fund the revenue generated by the change to the Economic Limit Factor, received Senate State Affairs Committee approval on April 24. And although the bill itself didn't make it any farther than that, there was a commitment made by the Governor and the legislature to appropriate \$150 million to the Fund this year if ELF passed, which I'm sure you know it did.

Unfortunately, in an all-too-typical adjournment rush, some things were left on the table. One thing left was the Senate version of the supplemental appropriation bill which contained the \$150 million deposit to the Fund. Fortunately, the commitment to make the deposit remains, and I am confident that it will be one of the first orders of business next session.

Jerry, thanks again for being in touch. I agree that tax increases should not be sought solely to increase state revenues, and that ELF is an argument over the State's "fair share" of the oil resource, not over money. It's for this reason that I support a portion of ELF revenues going into the Permanent Fund.

Sincerely,

A handwritten signature in cursive script, appearing to read "Pat".

Senator Pat Pourchot  
Chairman

PP/ss

FISCAL NOTE

REQUEST:

Revision Date: <u>April 24, 1989</u>	Agency Affected: <u>Department of Revenue</u>
Title: <u>Oil &amp; gas properties production/ permanent fund</u>	BRU: <u>Oil &amp; Gas Audit Division</u>
Sponsor: <u>Eliason, Jones, Adams</u>	Components: _____
Requestor: <u>Senate State Affairs</u>	

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 89	FY 90	FY 91	FY 92	FY 93	FY 94
<b>OPERATING</b>						
PERSONAL SERVICES	0	0	0	0	0	0
TRAVEL	0	0	0	0	0	0
CONTRACTUAL	0	0	0	0	0	0
SUPPLIES	0	0	0	0	0	0
EQUIPMENT	0	0	0	0	0	0
LANDS & STRUCTURES	0	0	0	0	0	0
GRANTS, CLAIMS	0	0	0	0	0	0
MISCELLANEOUS	0	0	0	0	0	0
<b>TOTAL OPERATING</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>CAPITAL</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>REVENUE</b>	<b>0</b>	<b>158,000</b>	<b>181,000</b>	<b>192,000</b>	<b>207,000</b>	<b>207,000</b>

FUNDING: (Thousands of Dollars)

GENERAL FUND	0	0	0	0	0	0
FEDERAL FUNDS	0	0	0	0	0	0
OTHER	0	0	0	0	0	0
<b>TOTAL</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

POSITIONS:

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

ANALYSIS: See attached page for analysis.

Prepared By: Roger Marks Phone: 277-5627  
Division: Dept. of Revenue, Oil & Gas Audit, Division Date: April 24, 1989

Approved by Commissioner: Hugh Malone Date: 9/24/89  
Agency: Department of Revenue

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

Fiscal Analysis of SB 284

This bill modifies the economic limit factor (ELF) formula used in computing the production (severance) tax on oil, and also increases the contribution of proceeds from royalties to the Permanent Fund. This fiscal note addresses the ELF aspect only.

The bill (1) introduces the rate of field production into the exponent of the current ELF formula; (2) repeals the so-called "rounding rule," the provision of current law which states that for any month during the first 10 years of commercial oil production for which the computed ELF of a lease or property exceeds 0.7 the ELF shall be considered to be one; and (3) fixes the production at the economic limit (PEL) at 300 barrels times the number of well days in the month.

This bill's provisions on ELF are identical to those in SCS CS HB 118 (Judiciary) except that this bill has an effective date of July 1, 1989. Both bills lack an explicit date of application, the date on which the legislation first begins applying to oil production. This date of application will determine how much revenue is raised for FY 89 and FY 90.

If the bill applies to oil produced after this date	Revenues Raised for FY 89	Revenues Raised for FY 90
12/31/88	64	171
01/31/89	50	171
02/28/89	37	171
03/31/89	24	171
04/30/89	12	171
05/31/89	0	171
06/30/89	0	158
07/31/89	0	145
08/31/89	0	132

This fiscal note assumes that the date of application is June 30, 1989. The severance tax is paid monthly for the prior month. (For example, the tax for production in April is due in May.) As written, this bill will thus only raise revenues for 11 months in FY 90.

This fiscal note was calculated using the oil price and production assumptions of the Department of Revenue's Spring 1989 Petroleum Production Revenue Forecast mid-case scenario. That forecast was predicated on Alaska North Slope crude prices at the U.S. Gulf of \$14.29 a barrel in FY 89 and \$16.41 a barrel in FY 90.

Additional revenues for future years in millions of dollars are as follows:

1995	194
1996	180
1997	165
1998	157
1999	148
2000	139
2001	129
2002	110
2003	86
2004	69
2005	45
2006	21
2007	4
2008	(3)
2009	0
2010	0

**S B**

**291**

SENATE STATE AFFAIRS COMMITTEE

BILL NUMBER SB 291

SPONSOR Governor

BILL TITLE Misc. statute changes to allow  
budget reductions

DATE REFERRED 4-20-89

HEARING SCHEDULED

FISCAL NOTE PREPARED ✓

SPONSOR CONTACTED Alison, OMB

INTERESTED PARTIES CONTACTED

Dierdorff SB 291  
- unconstitutional  
title  
- bill needs lots  
of work

OTHER

# Alaska State Legislature

Sen. Pat Pourchot, Chairman

Sen. Jan Faiks, Vice Chairman

Sen. Al Adams

Sen. Tim Kelly

Sen. Rick Uehling



P.O. Box V  
State Capitol  
Juneau, Alaska 99811

907-465-3712

## Senate State Affairs Committee

February 17, 1990

Jonathan Jordan  
10248 Jamestown Drive. # J  
Anchorage, AK 99507

Dear Mr. Jordan;

Thank you for your letter stating your views on SB 79 and SB 291. The Senate State Affairs Committee heard SB 79 at the same we heard the companion bill, SS SJR 5, which is a resolution that would constitutionally dedicate permanent fund earnings and establish a 1996 appropriation limit of \$1.4 billion. A Committee Substitute was developed for SS SJR 5 to incorporate the major points of SB 79, making moot SB 79. I encourage you to follow CS SS SJR 5, which was passed out of the Senate State Affairs Committee and currently sits in Senate Finance Committee.

I enjoyed reading your comments on SB 291, "An Act revising existing law prescribing the powers and duties of state agencies, in order to realize reductions in the state budget and providing for an effective date." I agree with your concerns over the possible unconstitutionality of the title. If we choose to hear this bill, it will require a considerable amount of work to clarify if the provisions in this bill ensure cost savings without negative impacts. If I do schedule a hearing, I will contact you well in advance to allow time for you to prepare written comments.

Sincerely,

A handwritten signature in cursive script, appearing to read "Pat".

Senator Pat Pourchot

Jonathan Jordan  
10248 Jamestown Dr. #J  
Anchorage, Alaska 99507  
January 31, 1990

Senator Pat Pourchot  
Chairman, Senate State Affairs Committee  
Alaska State Legislature  
P.O. Box V (MS 3100)  
Juneau, Alaska 99811

Senator Pourchot:

Of the many bills and resolutions introduced in the Alaska Senate, I would like to discuss two that have been referred to the State Affairs Committee and urge your timely consideration of the following issues:

- SB 79** The current Constitutional limit on state government spending so far exceeds the current budget as to be meaningless, but the concept of a budget limit is extremely important in these days of declining revenue projections. SB 79 imposes new goals and guidelines to ensure that spending is reduced in line with revenues. It is unfortunate that such a bill would become necessary, but the majority of Alaskans are calling for reductions in the state budget. Even though no constituent group wants the programs that benefit them to be cut, it is the job of the Legislature and Governor to make the hard choices of where to cut. It appears that the only way any meaningful cuts will be made is to mandate them with a bill such as SB 79. **For the fiscal future of the State of Alaska, I urge you to consider and pass SB 79 as quickly as possible.**
- SB 291** The constitution of the State of Alaska limits the form of bills to one subject, except in certain cases, and it prohibits local or special acts being passed. SB 291, introduced at the request of the Governor, may meet the letter of the constitution, but it seems to violate its intent concerning the limit of one subject and it contains provisions that certainly appear to be local acts. The bill contains 31 sections with many unrelated issues, ranging from teaching practices and several education issues to hunting and fishing licenses to tourism and law enforcement. Certainly each of these issues should be considered, but it should not be required that they be considered in one package, as presented in this bill. This violates the intent of the constitution in that each issue is to be considered on its own merit. Also, the law enforcement issue in this bill (Sections 13 and 14) appears to be so specifically written as to impact very few areas in the State of Alaska. Whether or not the Governor intended this to be a punitive measure against specific areas of the state does not matter. If the measure is found unconstitutional, the whole bill may be thrown out on these grounds.

# **CORRECTION**

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

# Alaska State Legislature

Sen. Pat Pourchot, Chairman

Sen. Jan Faiks, Vice Chairman

Sen. Al Adams

Sen. Tim Kelly

Sen. Rick Uehling



P.O. Box V  
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Juneau, Alaska 99811

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**ALASKA COMMISSION ON POSTSECONDARY EDUCATION**

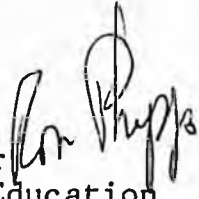
P.O. BOX FP  
JUNEAU, ALASKA 99811-0599  
PHONE: (907) 465-2854

M E M O R A N D U M

RECEIVED APR 26 1989

TO: House Finance Committee

Representative Lyman Hoffman  
Representative Ron Larson  
Representative C.E. Swackhammer  
Representative Kay Brown  
Representative Niilo Koponen  
Representative Fran Ulmer  
Representative F. Kay Wallis  
Representative Ramona Barnes  
Representative Randy Phillips  
Representative Steve Rieger  
Representative Richard Schultz

FROM: Ronald A. Phipps, Executive Director   
Alaska Commission on Postsecondary Education

SUBJECT: House Bill No. 301 / SB 291

DATE: April 25, 1989

The purpose of HB 301 is to ". . . realize reductions in the state budget." Sections 4 through 8 make amendments that would conform existing statutes to the provisions in Section 20 which repeal the entity known as the Alaska Commission on Postsecondary Education. The following discussion will show that the elimination of the Commission will not result in any savings to the general fund.

1. The original presentation by the Governor associated the amount of \$284,700 as a general fund savings. This would not only eliminate the functions performed by the Commission members but also require the elimination of 4 FTE administrative and support positions responsible for (1) authorization of postsecondary education institutions to operate in Alaska; (2) administration of the WICHE Student Exchange Program and the coordination activities of the WICHE Compact; (3) administration of the combined federal/state State Education Incentive Grant Program, (SEIG); (4) administration of the Memorial Scholarships and the Paul Douglas Teacher Scholarship; and (5) coordination of the federal reporting for the Integrated Postsecondary Education Data System. (See Attachment A.) Instead of a cost of \$284,700, the cost associated with those functions performed by the Commission members is \$27,850.

2. Since receiving information regarding budget reductions from the Governor, several discussions with bond counsel for the Alaska Student Loan Corporation revealed that the entire amount of general fund monies related to administration costs could be transferred to Corporation receipts because of their relationship to the quality, servicing, or amount of the student loans. Thus, the House Finance Committee budget shows a transfer of \$284,700 from general fund to program receipts in the General Administration component of the Commission's budget request for FY 90. The effect of this is that the elimination of the Commission will not result in any savings to the general fund.

Irrespective of the discussion regarding general fund savings, other considerations should be noted which cast doubt upon the benefits derived from eliminating the Commission and, in fact, may have deleterious consequences.

They are:

1. The bill moves all functions performed by the Commission within the Department of Education. This may increase costs. This conclusion was reached by the House Research Agency Research Request 89.250, "Transferring Functions of the Alaska Commission on Postsecondary Education to Other Agencies," dated March 13, 1989. The report states that moving all functions performed by the Commission within the Department of Education "is not likely to result in significant cost savings unless some functions are discontinued." The report notes further that the Alaska Commission on Postsecondary Education "sets salaries independently of the state classified salary schedule. If the Commission were merged with the DOE or DCED, the majority of staff would be classified. . . . As a result, placement of the Commission within the DOE or DCED could increase personal service costs."
2. The bill places a heavy burden upon the State Board of Education and its agenda. The postsecondary education level expertise is currently not represented on the State Board and the Board may find it needs its membership expanded. At present, the respective agendas for both the State Board and the Commission are extremely full and members are often finding it difficult to devote the time necessary to discharge duties in a reasonable and responsible manner. Appending these new responsibilities and duties to the State Board may prove quite undesirable to the respective constituencies of both the K-12 and the postsecondary communities.

3. To achieve the lowest possible debt service costs for the revenue bonds issued by the Alaska Student Loan Corporation, it is the goal of the Corporation to sell the bonds next year through a competitive sale. For other sales, the Corporation has issued bonds through a negotiated sale. One element in the decision to use negotiated sales was the fact that Alaska Student Loan Corporation Bonds are not well known in the bond market and the Corporation, therefore, benefits from the pre-marketing efforts from bond underwriters.

A factor which enhances the success of a competitive sale (e.g., low interest rates) is stability of the corporate structure of the issuer. We were required to disclose the introduction of this bill in the Official Statement for the bonds that the Corporation will be issuing this year (see Attachment B) and, therefore, the financial community is aware of the proposed reorganization. It may be an overstatement to suggest that passage of the bill would result in higher interest rates for the Corporation's planned competitive sale because of a negative reaction of potential bond purchasers to the reorganization. It is appropriate to suggest, however, that the proposed reorganization would not have a positive effect and could result in increased debt service.

In sum, elimination of the Alaska Commission on Postsecondary Education will not result in savings to the general fund and could increase costs.

STEVE COWPER, GOVERNOR

**ALASKA COMMISSION ON POSTSECONDARY EDUCATION**

PO BOX 52  
UNEAU, ALASKA 99811-0599  
PHONE: (907) 465-2854

M E M O R A N D U M

TO: Paul Sterling, Budget Analyst  
Office of Management and Budget

FROM: Ronald A. Phipps, Executive Director  
Alaska Commission on Postsecondary Education

DATE: April 5, 1989

Thank you for providing me with a copy of the Governor's "Proposed Operating Budget Reductions." I thought it appropriate that I respond to you immediately because the explanation regarding the proposed elimination of the Alaska Commission on Postsecondary Education associated with the budget reduction of \$284,700 does not address the elimination of positions and their effect upon statutorily mandated programs.

In addition to eliminating the student loan appellant responsibilities of the Commission, the proposed reduction will require the elimination of 4 FTE administrative and support positions responsible for the following programs and activities:

1. Authorization of postsecondary education institutions to operate in Alaska (AS 14.48.010-210);
2. Administration of the WICHE Student Exchange Program and the coordination activities of the WICHE Compact (AS 14.010-060);
3. Administration of the combined federal/state State Education Incentive Grant Program, SEIG (AS 14.43.400-500);
4. Administration of the Memorial Scholarships (AS 14.250-325);
5. Administration of the Paul Douglas Teacher Scholarship (RL. 98-558);
6. Coordination of federal reporting for the Integrated Postsecondary Education Data System, IPEDS.

Paul Sterling, Budget Analyst  
April 5, 1989  
Page 2

Upon reading the list of Legislative major pass-through budget reduction considerations for FY90, I notice that the programs listed above were not included for reduction. The reduction proposed by the Governor, however, would in effect eliminate the programs by terminating administrative support.

I would also like to mention that the proposed reduction would profoundly affect the composition of the membership of the Board of Directors of the Alaska Student Loan Corporation. Alaska Statute 14.42.120 requires that the five Board of Directors appointed by the Governor consist of two members of the Alaska Commission on Postsecondary Education and the Commissioner of Revenue, Commissioner of Administration, and Commissioner of Commerce and Economic Development.

cc: Members of the Senate Finance Committee  
Members of the House Finance Committee  
Karen Rehfeld, Legislative Finance Division  
Commission on Postsecondary Education

~~the Pledged Loans. Another bill, if it were to become law, would create a new category of eligible borrower, the part-time student. Generally speaking, the Program would apply to loans to part-time students in substantially the same way as it applies to loans to full-time students, although the repayment period would be five years from the commencement of repayment rather than ten years. A third bill, if it were to become law, would provide for the payment by the State, subject to appropriation, of a portion of a borrower's loan if the borrower is a health care professional employed in an area determined by the State to have a health care professional shortage. The Corporation cannot predict whether or not these bills will become law or, if they were to become law, what would be their impact on the Corporation and the security for Bonds.~~

A fourth bill, if it were to become law, would provide for, among other things, the legal termination of the Commission and the transfer of its staff to the Department of Education of the State. The Department of Education would assume responsibility for the administration of the Program. In addition, the composition of the Board of Directors of the Corporation would be altered and the office of the Executive Officer of the Corporation would be filled by the Commissioner of Education or the Commissioner's designee. The Corporation is unable to predict whether or not any such legislation will become law and, if it should become law, what would be its impact on the Corporation and the security for the Bonds.

## PLAN OF FINANCING

### General

The primary purpose of the issuance of the 1989 Series A Bonds is to fund Student Loans for the academic year 1989-1990. Upon issuance of the 1989 Series A Bonds and application of the proceeds to the payment of issuance costs and funding of reserves, the balance of the 1989 Series A Bond proceeds will be credited to the 1989 Series A Student Loan Fund. Amounts on deposit in the 1989 Series A Student Loan Fund are expected to fund approximately \$27,828,814 principal amount of Student Loans for the academic year 1989-90. The balance of any loans and cash held by the Corporation not expressly pledged as security for Bonds will be held separate and apart from the Indenture and will not be subject to the lien of the Indenture.

It is the goal of the Corporation to replace the State as the primary source of funding for loans made under the Program. Traditionally the State has funded such loans by direct annual appropriations to the Commission. Through the issuance of its bonds, notes and other obligations and the recycling of loan repayments towards the acquisition of new loans, the Corporation anticipates reducing its reliance upon State appropriations in financing loans. It is the Corporation's intention to maintain a mix between outstanding debt, State appropriations and repayments on loans held by the Corporation until new loan demand under the Program can be funded exclusively with loan repayments.

### Assumptions Considered In Structuring the 1989 Series A Bonds

In structuring the 1989 Series A Bonds, the Corporation examined the existing loan portfolio credited to the Master Student Loan Fund under the Indenture and the loans financed with the proceeds of the 1988 Series A Bonds and credited to the 1988 Series A Student Loan Fund. The Corporation then made certain assumptions regarding such loans and the loans expected to be financed with the undisbursed proceeds of the 1988 Series A Bonds, a State appropriation, surplus moneys available under the Indenture and the proceeds of the 1989 Series A Bonds, which the Corporation believes to be reasonable based upon its experience and which are not controverted by actual facts known to the Corporation. See "The Alaska Student Loan Program—General" herein. The material assumptions made by the Corporation are summarized below.

1. It has been assumed that Pledged Loans held in the Master Student Loan Fund or the 1988 Series A Student Loan Fund as of December 31, 1988 in the aggregate principal amount of \$347,448,100 have characteristics substantially as set forth below under Portfolio 1, 2, 3 and 4 and 5 in the aggregate principal amounts represented by each portfolio. For purposes of this forecast, the Corporation has employed the loan balance information which appears on the records of the Commission, which services the Corporation's loans. This information varies somewhat from the loan balance information reflected on the Corporation's financial statements because it includes as loans outstanding all loans approved and disbursed, whether or not the

SB 2911

- Sec 1-3 ~~1-3~~ [Professional Teaching Practices Commission] <143.5>
- Sec 4-8 [Postsecondary Ed Comm] <284.7>
- Sec 9-10 F&G licensing → F&G fund <872.7>
- Sec 11 Crew member licensing from comm. fish licenses
- Sec 12 search & rescue from disaster relief <250.0>
- Sec 13-14 mandatory law enforcement <sup><1500.0></sup> - MUNIS.
- Sec 15-17 [Div Tourism] <2,817.8> 4
- Sec 18 [subdiv. sewage plan review] <649.97>
- Sec 19-30 tons of repeaters

STEVE COWPER  
GOVERNOR



291

STATE OF ALASKA  
OFFICE OF THE GOVERNOR  
JUNEAU

April 19, 1989

The Honorable Tim Kelly  
President of the Senate  
Alaska State Legislature  
P.O. Box V  
Juneau, AK 99811

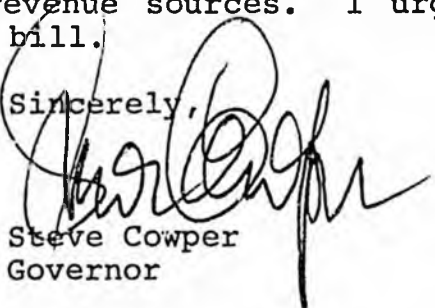
Dear Mr. President:

Under the authority of art. III, sec. 18, of the Alaska Constitution, I am transmitting a bill that revises existing powers of State agencies in order to realize potential reductions in the State budget. This bill makes statutory changes that are necessary to implement the operating budget reductions which I submitted at the budget summit on April 4, 1989. Those reductions would diminish many State services that are now in statute. Therefore, implementing those reductions without this bill would expose the State to great potential liability.

I consider this bill to be the equivalent of a bulk revision of the powers of State agencies which is necessary for the implementation of proposed budget reductions. Therefore, under the authority of art. II, sec. 13 of the Alaska Constitution, I am submitting these far-ranging statutory changes in one bill.

Enactment of this bill would allow for the reduction of the cost of operating State government which may be necessary absent the addition of new revenue sources. I urge your careful consideration of this bill.

Sincerely,



Steve Cowper  
Governor

## FISCAL NOTE

**REQUEST:**

Revision Date: \_\_\_\_\_ Agency Affected: ALL  
 Title: An Act Making Changes Necessary  
to Realize Proposed Budget Reductions  
 Sponsor: Rules BRU: \_\_\_\_\_  
 Requestor: Governor 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						
<b>TOTAL OPERATING</b>	-0-	(See attached)				
<b>CAPITAL</b>						
<b>REVENUE</b>						

**FUNDING:** (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER						
<b>TOTAL</b>						

**POSITIONS:**

FULL-TIME						
PART-TIME						
TEMPORARY						

**ANALYSIS :** (Attach a separate page if necessary)

See Attached

Prepared by: Alison M. Elgee, Director Phone: 465-3568  
 Division: Budget Review Date: 4/17/89

Approved by Commissioner: \_\_\_\_\_ Date: \_\_\_\_\_  
 Agency: \_\_\_\_\_

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

PROPOSED OPERATING BUDGET REDUCTIONS  
(amount shown in thousands)

<u>Agency</u>	<u>Component/Description</u>	<u>Reduction Amount</u>
GOVERNOR	Delete Governor's Wasilla and Delete Governor's Ketchikan Office: Closes two offices. 4 will remain in service - Juneau, Anchorage, Fairbanks and Washington, D.C. Eliminates 2 positions and leases for both offices.	121.0
	Alaska Land Use Council: Delete. Eliminates function that will terminate 12/90 unless extended by Congress. Eliminates Alaska's participation in Land Use Council Advisors and related funds. 2 staff positions will be deleted.	109.7
	Human Rights Commission: Reduce. Reduce Commission activities related to civil rights. Remaining staff and funds will focus on serving complainants with greatest need, i.e., physically and mentally disturbed, those needing housing assistance, etc. Cases will be referred to Seattle EEOC office whenever possible. <i>Intent language needed to refer cases to Seattle EEO and set out priorities for remaining staff.</i>	440.0
	Equal Employment Opportunity: Reduces the Office of EEO and eliminates 9 positions. The Affirmative Action Plan, monitoring and training functions will move to DOA, Division of Personnel. Employment discrimination complaints will move to Human Rights Commission or Seattle EEO Office. 2 positions will be retained as will limited travel	500.0

funds for the Governor's EEO Advisory Council. The Council will serve in an advisory capacity to the Division of Personnel. Remaining staff will monitor compliance of federal regulations in all agencies.

Governmental Coordination: Reduce Reduction of Coastal Management Program activity will result in federal match requirements being assumed by affected agencies and elimination of 2 positions. Reduction of the Permit Coordination Program (250.0) will increase review time for permits and eliminate 5 to 7 positions. Reduction in the ANILCA component (125.0) will place greater responsibilities on departments to implement in-depth reviews of conservation system unit plans and other ANILCA related activities. Eliminate 2.25 positions.

455.0

ADMINISTRATION

RATNET: Delete Discontinue statewide TV service to 246 communities. For approx. 130 communities this is the only TV received. Also will discontinue the carriage of public radio station KSKA-FM to several rural locations, the AIRRES reader service for blind people in Anchorage, and the statewide Emergency Broadcast System which provides notification of emergencies and disaster warnings. Eliminates 6 positions in Anchorage and the RATNET Council (travel/per diem). *May need statutory change.*

2,037.5

Public Defender: Reduce Close Sitka Office, eliminating 2 positions (120.7). Deny FY90 increment for Barrow attorney (87.4) leaving Barrow office at

353.4

same staff level as LAW's office there. Deny FY90 increment for an attorney and paralegal and eliminate a legal secretary in Anchorage (145.3).

Leasing: Reduction 874.5  
Denies FY90 increments for leases. Closure of some offices could result in lease savings.

Alaska Public Offices Commission: 109.5  
Reduces activity related to timely reporting, compliance assistance and enforcement of the 3 disclosure laws administered by APOC: Campaign disclosure, conflict of interest, and regulation of lobbying. *Statutory changes required to eliminate any APOC functions.*

LAW

Consumer Protection: 328.3  
Elimination of the Consumer Protection Division - egregious cases would have to be absorbed by the Civil Division. *Statutory changes required.*

Prosecution: 441.5  
Closure of both the Sitka and Dillingham offices resulting in limited services as a result of temporary assignments. Elimination of the only position devoted to "White Collar Crime".

Legal Services: 620.4  
The State would continue to be reactive, spending more time defending the State against private plaintiffs and less time affirmatively asserting the State's rights.

REVENUE

Commissioner's Office: 351.7  
Delete Research Section. 5 positions will be eliminated. 1 position will remain to

coordinate revenue projections for non-petroleum areas and the Oil & Gas Audit Division will assume responsibility for petroleum-related projections.

Alaska Science & Technology Foundation: Fund change. Funds from the Foundation's \$6,000.0 capital appropriation for grants will be used to fund staff costs and council activities. 334.3

**EDUCATION**

Instructional Technology Support: Eliminates distance delivery of educational courses and materials support. Transfer of remaining \$117.3 to Basic Education and Instructional Improvement for student assessment. 261.9

Professional Teaching Practices: The primary role of the Prof. Teaching Practices is investigation of alleged misconduct by members of the teaching profession. Repeal the statute, and give responsibility to the local elected school board. *Needs statutory change.* 143.5

Alaska State Museums: Reduce museum operations and rewrite specific functions mandated under statute. Services provided in this reduction can be provided by local schools, volunteers and community effort. *Needs statutory change.* 600.0

Executive Administration: Eliminate membership in Education Commission of States. *Needs statutory change.* 29.1

Alaska Postsecondary Commission: Elimination of the Postsecondary Commission which provides for policy coordination for the 284.7

efficient use of Alaska's financial resources in providing postsecondary educational services. *Needs statutory change.*

HEALTH  
AND  
SOCIAL  
SERVICES

Family and Youth Services: 117.6  
Family Services - Eliminate adult protection program. Delete 3 PCNs in Anchorage and 1 PCN in Fairbanks. (Would require corresponding reduction in Purchase Services for Adult Protection of \$372.1) *Needs statutory change.*

Youth Services: 1,084.4  
Provide detention services only in Bethel and Nome. Bethel delete 8 PCNs and Nome delete 4 PCNs.

Public Health: 506.0  
Eliminate general fund from AIDS program. Remaining federal money allows state to continue epidemiology, counseling and treatment activities at lesser level of effort.

Vital Statistics: 457.9  
Reduce general fund and replace with new general fund/program receipts generated by fee increases. *Needs fee increase.*

Health Grants: 415.0  
Delete General Health Service grants. Eliminates certain dental, cancer screening and other special programs not generally available statewide.

Health Grants: 570.0  
Delete rural health clinics leasing support, Indian health service budget increases replace general fund for some clinics.

LABOR	Occupational Medicine: Delete program and budget. Use DHSS epidemiology and DEC professional staff when necessary.	121.5
	Worker's Compensation: Reduce program due to reduction in caseload as a result of legislative reform.	126.2
	Occupational Safety: Reduce logging increment by 50%. Potential federal funding to replace general fund.	42.7
COMMERCE AND ECONOMIC DEVELOPMENT	Merge Division of Tourism and Business Development: Retains at least \$1,500.0 for international tourism and independent traveler promotions. Retains minimal response capabilities for providing information to corporations in business activities in Alaska and coordination with University economic development and business assistance programs. <i>Requires repeal of some economic development statutes.</i>	2,817.8
	Alaska Tourism Marketing Council: Retains \$1,500.0 in general fund program receipts to continue national tourism promotions. Industry could generate additional fees to increase the budget.	6,461.1
MILITARY AND VETERANS AFFAIRS	Veteran's Affairs: Reduce Reduction in Veteran's Affairs will result in eliminating Veteran's newsletter and one position.	100.0
	Alaska National Guard: Eliminate increment to provide janitorial service. Military personnel will continue to provide services.	100.0

NATURAL  
RESOURCES

Recorder's Office:

325.0

This reduction will result in the closures of recorders' offices in Kodiak, Homer, Nome, Bethel, Kenai, Palmer, Sitka and Ketchikan. Responsibility for the work performed in these offices will be transferred to the remaining offices in Juneau, Anchorage and Fairbanks.

Commissions:

159.2

This reduction will result in the termination of the Citizens Advisory Council on Federal Areas which provides a forum for monitoring federal land management proposals and resolving land management conflicts. *Needs statutory change.*

Fire Suppression:

3,500.0

This change will require a major reduction in the scope of fire suppression efforts on state land, only those fires which directly threaten life and property will be fought.

Geological Management:

52.9

Eliminates funding for completion of a geothermal resource appraisal. Specific products which will not be completed include publication of a geothermal resource map for the Alaska Peninsula area, a report on the Makushin geothermal resource area, and completion of data for a southcentral geothermal resource map.

Parks & Recreation Management:

77.4

Eliminates funding for the Alaska Historical Commission and for fundamental archeological research aimed at salvaging information from sites threatened by erosion, vandalism, and looting.

	<b>Parks Management:</b>	200.0
	This change replaces \$200.0 in general funds with \$200.0 in general fund/program receipt authority. Parks personnel will assess the potential for park fee increases to generate this additional revenue. <i>Needs fee increase.</i>	
	<b>Agricultural Management:</b>	936.8
	This changes eliminates general fund support for administration of the state's agricultural management programs. Agricultural Revolving Loan Fund receipts will be used to support necessary activities as the state's involvement in agriculture management is phased out.	
<b>FISH AND GAME</b>	<b>Administrative Services:</b>	872.7
	Shifts support for the fish and game licensing program from the general fund to the fish and game fund for the sale of sport licenses and general fund/program receipts for the sale of commercial crew licenses.	
<b>PUBLIC SAFETY</b>	<b>Search and Rescue:</b>	250.0
	Disaster declaration would be declared for major efforts.	
	<b>Alaska State Troopers:</b>	1,500.0
	Coverage would no longer be provided in organized municipalities with police powers. <i>Needs statutory change.</i>	
	<b>Motor Vehicles:</b>	850.0
	Maintains field offices in Anchorage, Juneau and Fairbanks.	
	<b>Academy:</b>	520.5
	Maintains the current level of operations necessary to provide in-house, VPSO, Municipal, and	

other requested training. Also, provides sufficient funding for an abbreviated trooper academy in FY90.

TRANSPORTATION AND PUBLIC FACILITIES	Highways and Aviation: Elimination of the FY90 increments for new responsibilities and SEF rental rate increases. Results in general statewide reduction of service.	1,400.0
	Deletion of all snow and ice efforts for category III routes.	2,500.0
	Deletion of 60% of the maintenance costs on Category III routes, allows a four-month transitional period.	1,700.0
	Reducing hours of operation at certified rural airports.	1,000.0
	Reduce maintenance and operation of rural airports, without fee increase. Proposal to increase land rent fees to offset reduction. <i>Needs fee increase.</i>	2,200.0
	Dalton Highway: This proposal would charge a fee for use of the Dalton Highway between the Yukon River and the northern terminus at Deadhorse to re-coup the current annual cost of maintenance. <i>Needs fee increase.</i>	4,440.0
	Marine Highways: One of the two feeder vessels, the M/V Columbia, and the M/V Chilkat would be tied up under contract with a shipyard. No AMHS employees would be on board.	4,100.0

ENVIRONMENTAL  
CONSERVATION

**Subdivision Plan Review:**  
Eliminate state responsibility for review of subdivision plans for sewage and industrial waste disposal systems. The plan review function could be delegated to local governments, as it has been to the Municipality of Anchorage, *but this action would require a change to state law.*

649.9

**Drinking Water Program:**  
Return the state drinking water program to the federal government. State compliance in this program is currently the lowest in the nation and increased federal requirements mandated by congress would continue to put a strain on the State's budget. EPA would, most probably, rely heavily on enforcement actions rather than DEC's preference for technical assistance and plan reviews. The state would also lose \$737.5 in federal funds. *This action would require a change to state law.*

468.8

COMMUNITY  
AND  
REGIONAL  
AFFAIRS

**Combine JTPA Training & Energy field offices with minimum Local Government Assistance Program.**

1,500.0

*This will result in a closure of many of the departments field offices. Severe curtailment will be made to JTPA services in rural areas, the Rural Economic Development Initiative (REDI), the Financial Outreach services to Enhance Recovery (Foster) program and to many services now provided to local governments. This proposal could require some statutory changes.*

**CORRECTIONS**

**Statewide Programs:**

2,132.1

This component provides a variety of rehabilitation programs to inmates. The general reductions are applied to:

A. Delete funding for Maniilaq Association Spirit Camp, a program for Native inmates. (430.0)

B. Delete funding for Tundra Center Halfway House in Bethel. (475.0)

C. Sex offender treatment programs statewide. Fund source is switched from general fund to Permanent Fund Dividend Fund (913.1).

D. Clitheroe Center alcohol treatment program in Anchorage. General Funds of 264.0 are replaced with 160.0 from the Permanent Fund Dividend Fund.

E. Delete funding for library services (\$50.0).

**UNIVERSITY**

Reduce the University general budget by 10 percent.

15,925.6

A reduction of this magnitude would probably compel the Board of Regents to consider program deletion and closure of certain campuses, including those in close proximity to the three main campuses. *Precedent set by case law requires Universities to declare Financial Exigency prior to the closure or termination of campuses and programs.*

LEGISLATURE	Reduce by 10 percent.	3,109.3
COURT SYSTEM	Reduce by 10 percent.	4,118.7
HEALTH BENEFITS	Eliminate FY90 Base adjustment for increased health insurance costs for all state government except University. Results in additional 2.5% vacancy assessment if no savings are realized in cost of health care.	15,000.0

PROPOSED OPERATING BUDGET REDUCTIONS  
(amount shown in thousands)

<u>AGENCY</u>	<u>TOTALS</u>
Governor	1,625.7
Administration	3,374.9
Law	1,380.2
Revenue	686.0
Education	1,319.2
Health and Social Services	3,150.9
Labor	290.4
Commerce and Economic Development	9,278.9
Military and Veterans Affairs	200.0
Natural Resources	5251.3
Fish and Game	872.7
Public Safety	3,120.5
Transportation and Public Facilities	17,340.0
Environmental Conservation	1,118.7
Community and Regional Affairs	1,500.0
Corrections	2,132.1
University	15,925.6
Alaska Court System	4,118.7
Legislature	3,109.3
Health Benefits	<u>15,000.0</u>
TOTAL	90,795.1

**S B**

**295**