

ALASKA LEGISLATURE COMMITTEE FILES 1999-2000 8672

10001 HOUSE STATE AFFAIRS

Alaska's Public Finances

Constitutional Budget Reserve Exhausted Month/Year

Operating Budget Annual Change	Average ANS Destination Price \$/barrel							
	\$10.50	\$11.50	\$12.50	\$13.50	\$14.50	Forecas †	\$15.50	\$16.50
+2.0%	Dec-01	Feb-02	Apr-02	Jul-02	Oct-02	Sep-02	Jan-03	Jun-03
+1.5%	Dec-01	Feb-02	May-02	Aug-02	Nov-02	Oct-02	Mar-03	Jul-03
+1.0%	Jan-02	Mar-02	Jun-02	Sep-02	Dec-02	Nov-02	Apr-03	Aug-03
+0.5%	Jan-02	Apr-02	Jun-02	Sep-02	Jan-03	Jan-03	May-03	Oct-03
0.0%	Feb-02	Apr-02	Jul-02	Oct-02	Feb-03	Feb-03	Jun-03	Nov-03
-0.5%	Feb-02	May-02	Aug-02	Nov-02	Mar-03	Mar-03	Aug-03	Jan-04
-1.0%	Mar-02	May-02	Sep-02	Dec-02	Apr-03	Apr-03	Sep-03	Mar-04
Maj. Plan	Apr-02	Jun-02	Oct-02	Jan-03	May-03	Jun-03	Nov-03	May-04

Alaska's Public Finances

Principles

- **Balance the budget on a sustainable basis.**
- **Budget reductions must be responsible.**
- **Maintain a healthy Permanent Fund dividend.**
- **Grow the state's savings accounts.**
- **Any new tax should be fair and broad-based.**
- **No change to the Permanent Fund or the dividend program without a vote of the people.**

Alaska's Public Finances
FY 1999 General Fund Operating Budget
(\$ millions)

General Fund Operating Budget
\$2,229.3

**Core State
Government**
\$783.8

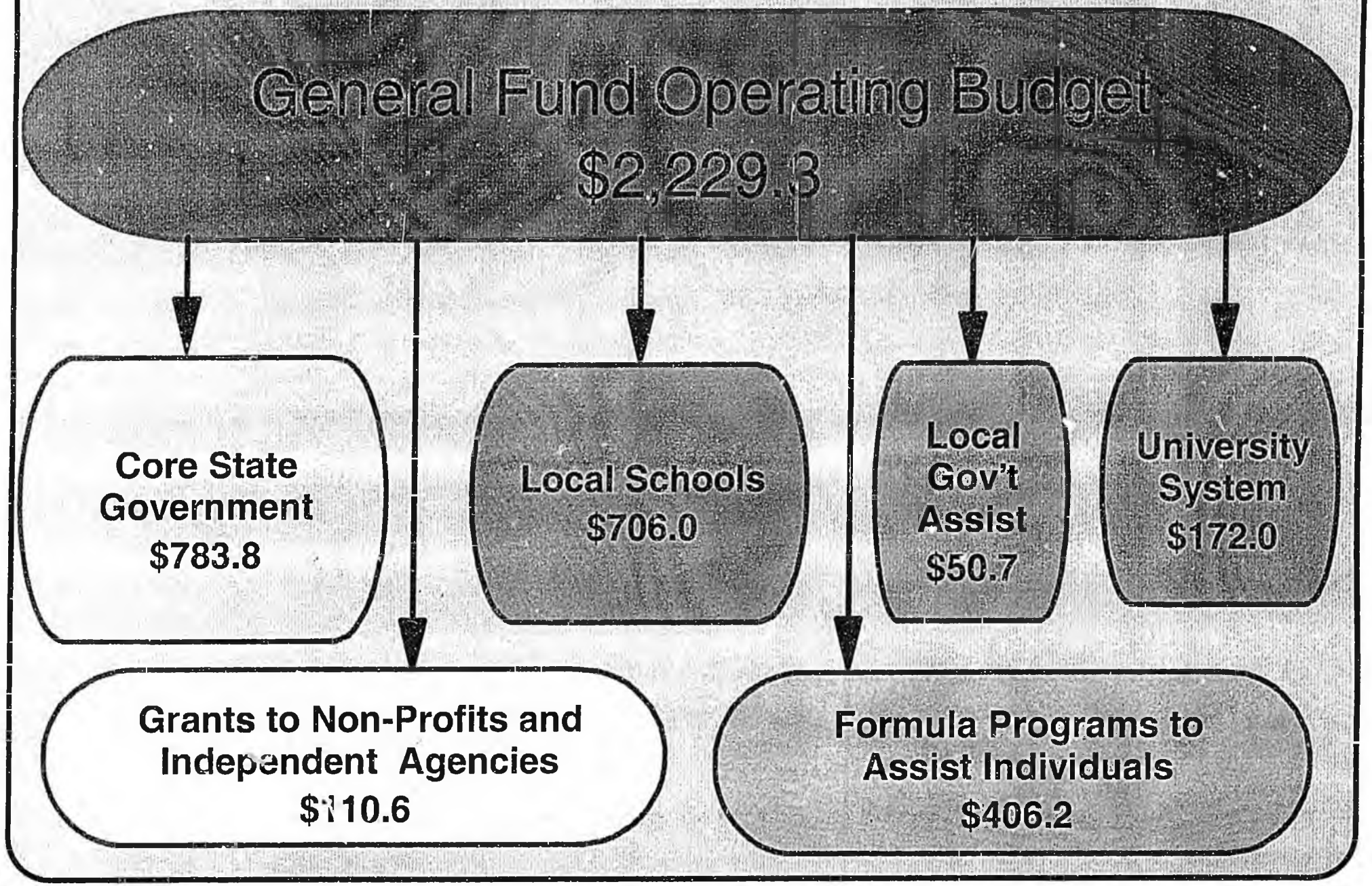
Local Schools
\$706.0

**Local
Gov't
Assist**
\$50.7

**University
System**
\$172.0

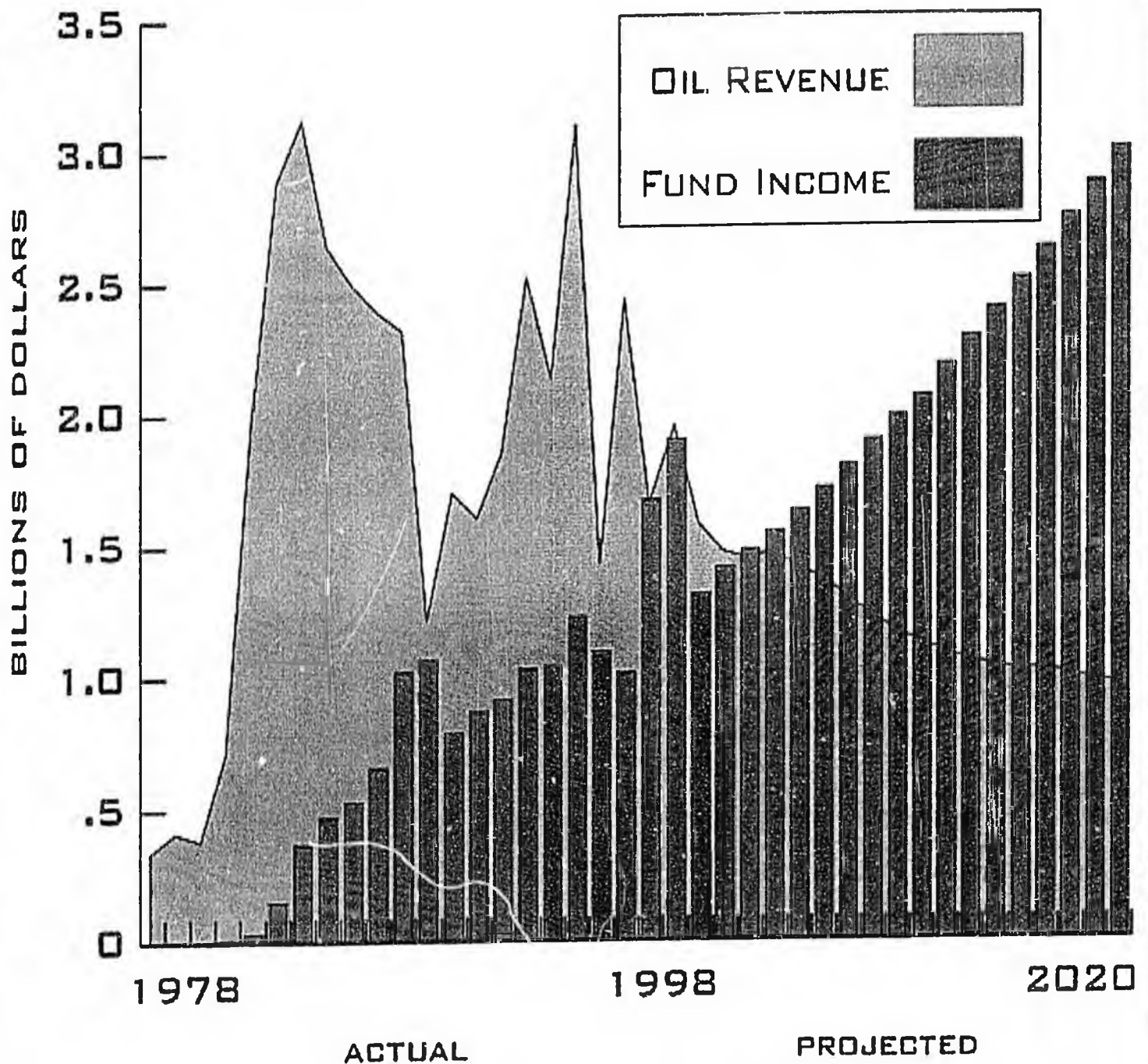
**Grants to Non-Profits and
Independent Agencies**
\$110.6

**Formula Programs to
Assist Individuals**
\$406.2



Alaska's Public Finances

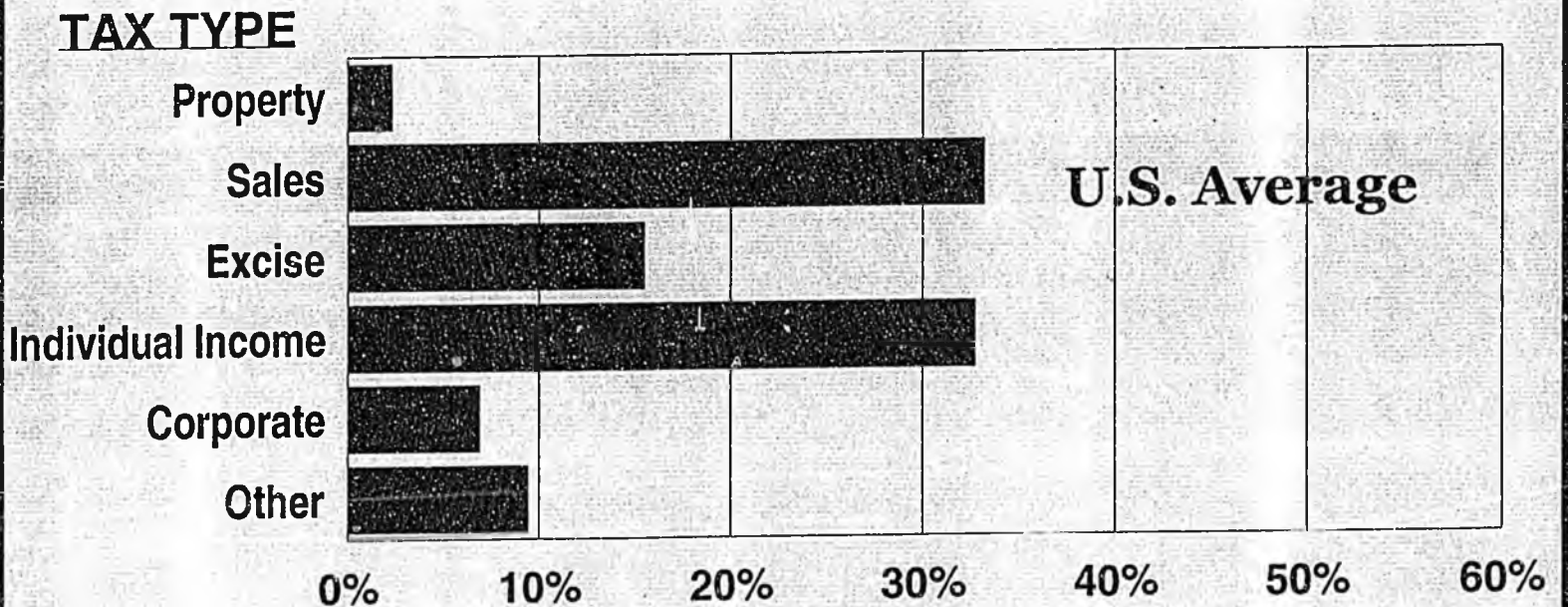
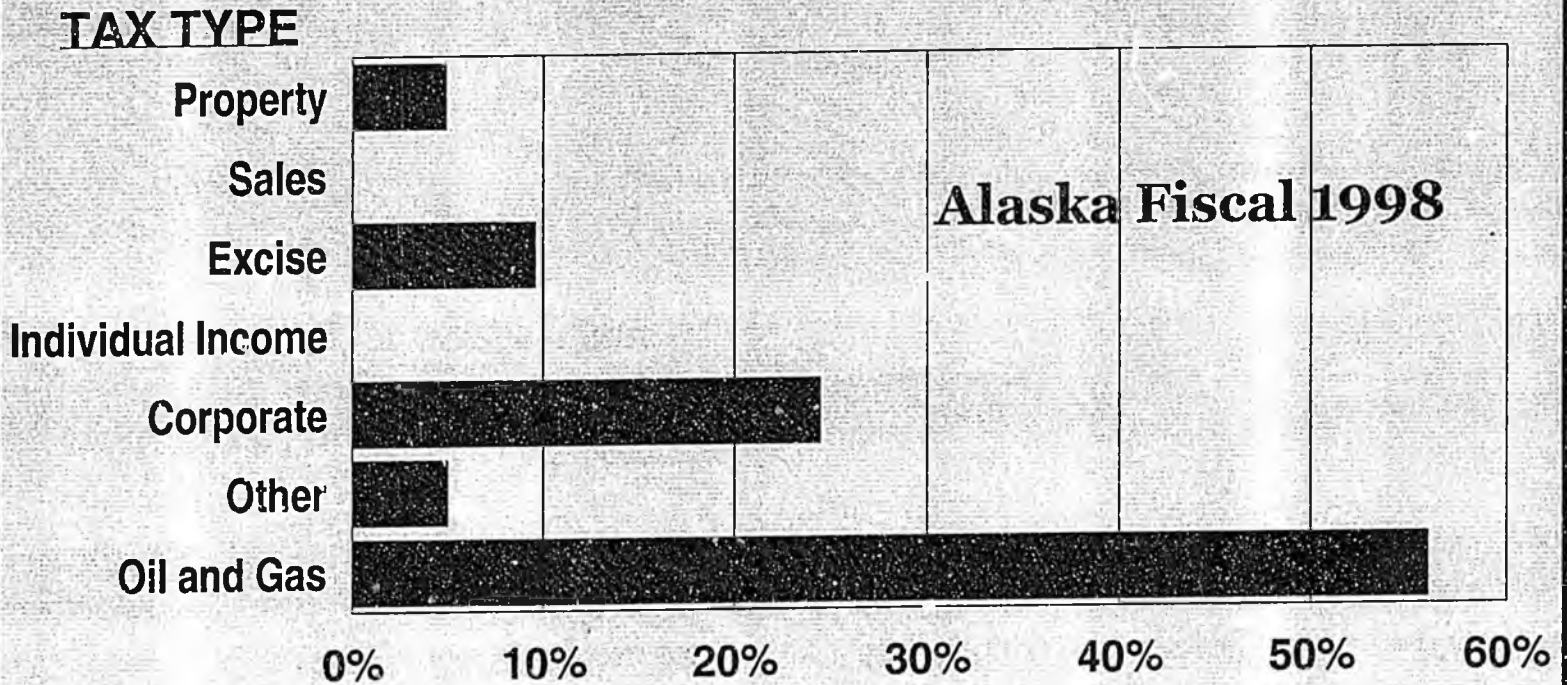
What About the Permanent Fund? Oil Revenue vs. Permanent Fund Income



*figures are not adjusted for inflation

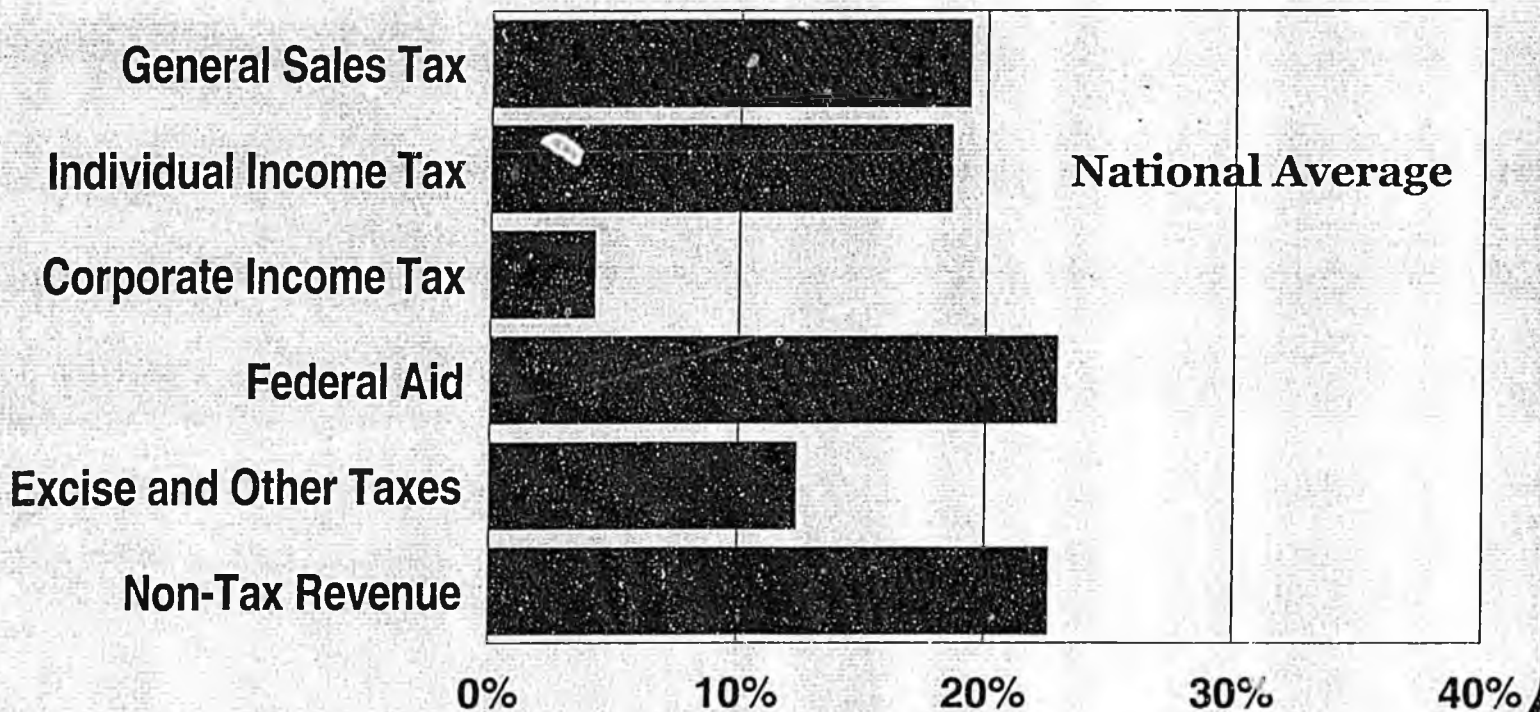
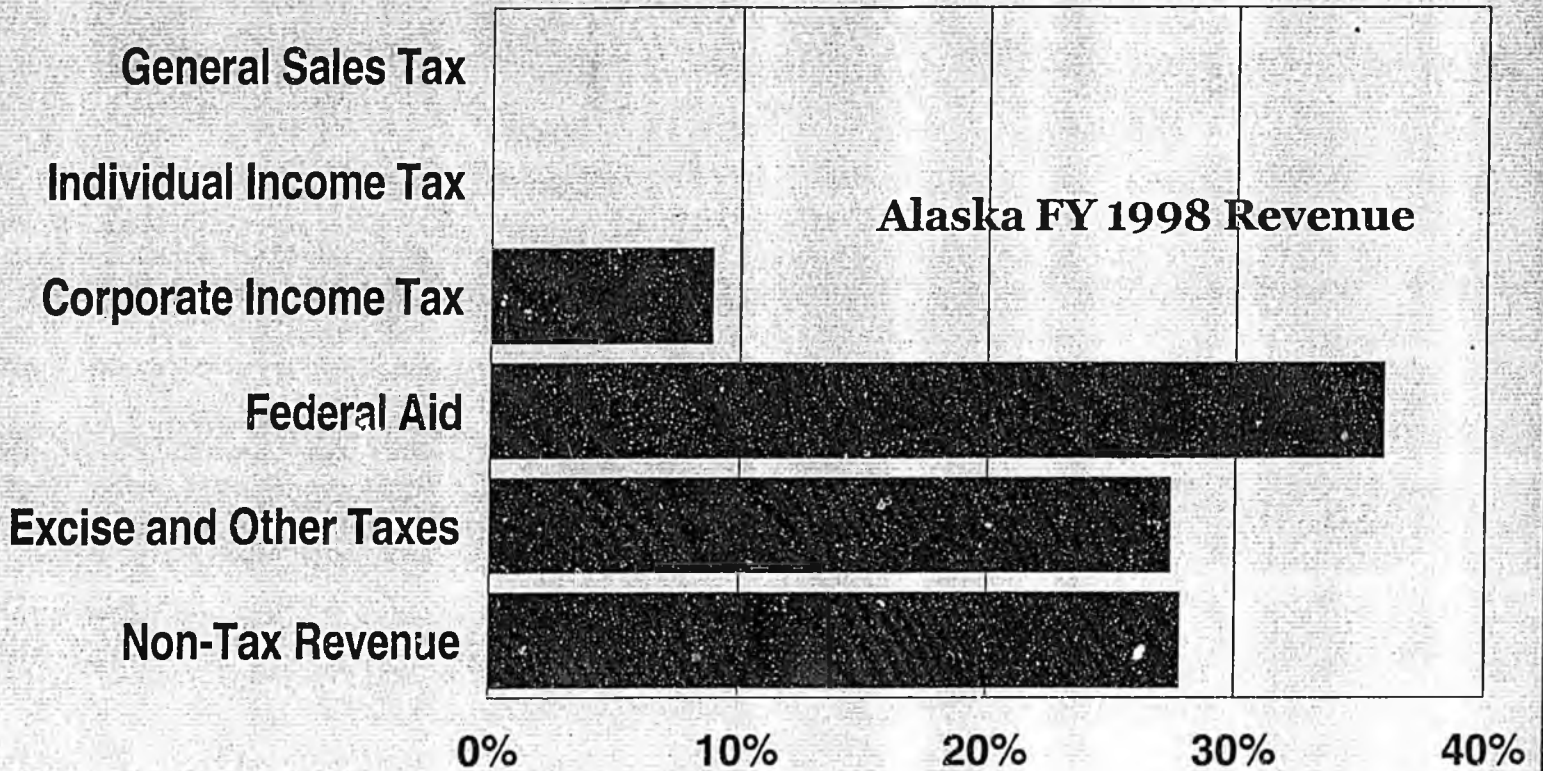
Alaska's Public Finances

Tax Revenues Comparison with Other States



Alaska's Public Finances

Total Revenue Comparison with Other States



Alaska's Public Finances

Sales and Personal Income Taxes

▶ **States with no state sales tax:**

1. **Alaska**
2. **Delaware**
3. **Montana**
4. **New Hampshire**
5. **Oregon**

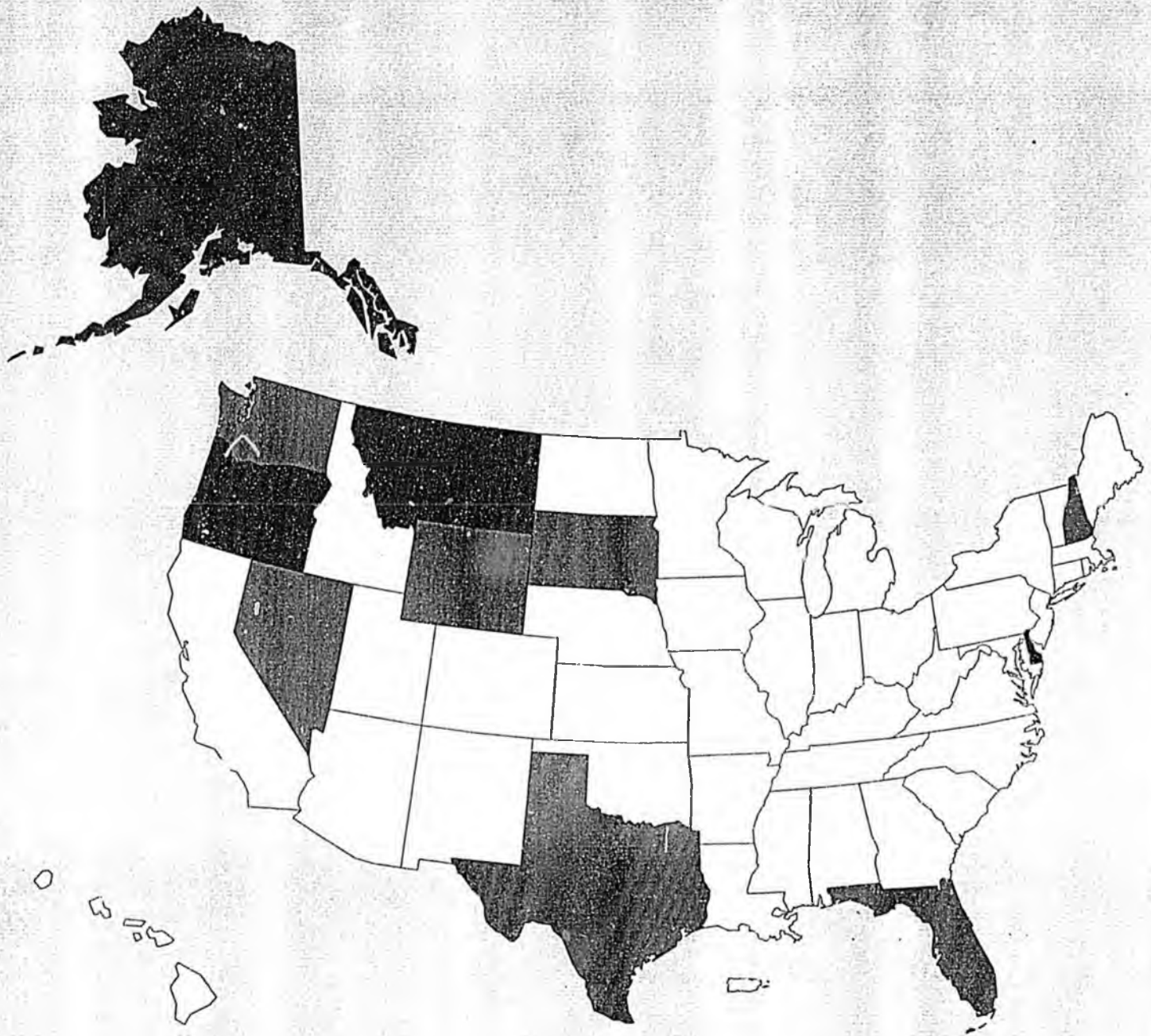
▶ **States with no individual income tax:**

1. **Alaska**
2. **Florida**
3. **Nevada**
4. **South Dakota**
5. **Texas**
6. **Washington**
7. **Wyoming**

▶ **Alaska is the only state with neither tax.**

Alaska's Public Finances

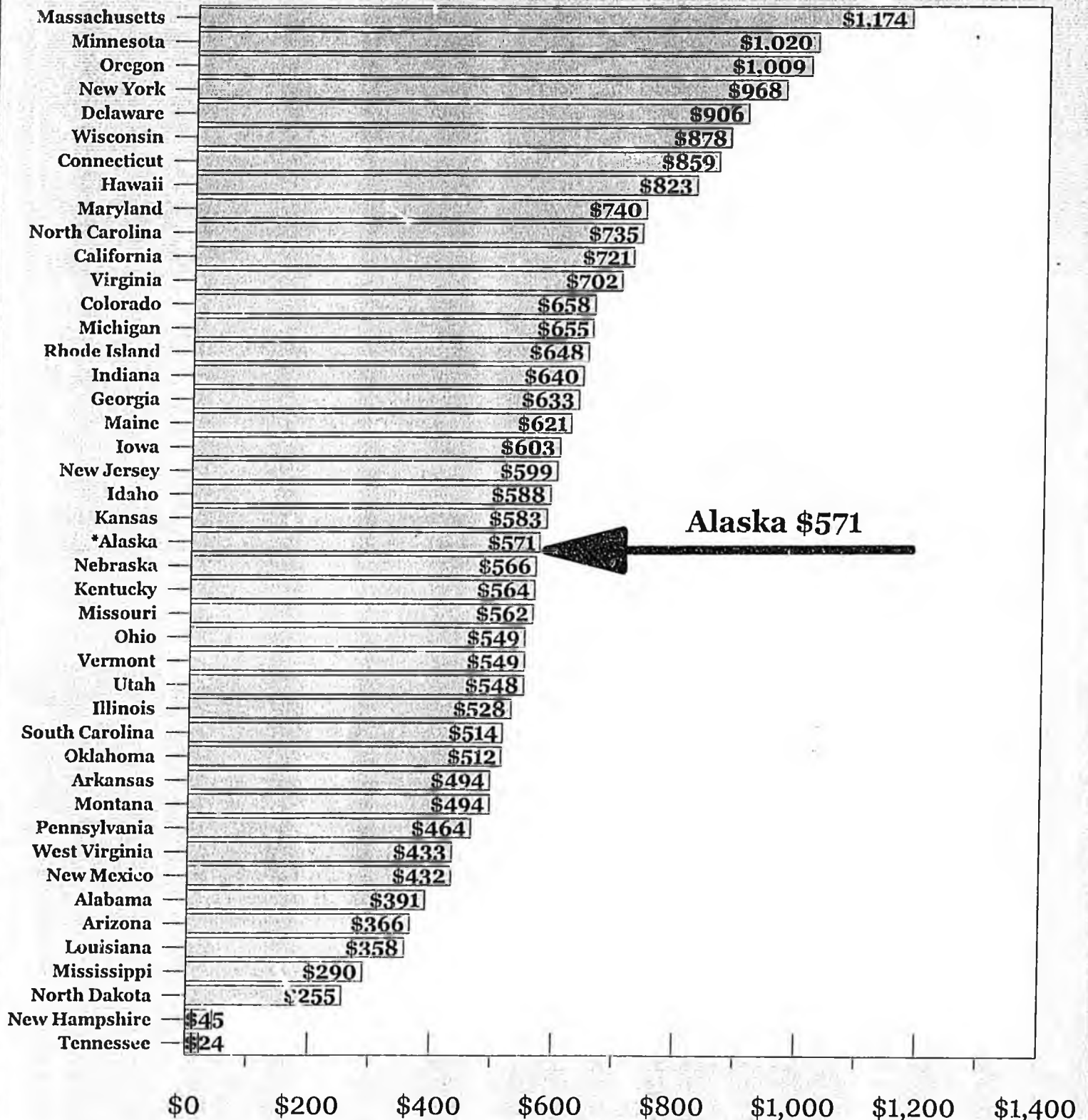
States with No Sales or Personal Income Tax



- States with no personal income tax
- States with no sales tax
- States with no personal income tax and no sales tax

Alaska's Public Finances

Per Capita Comparison of Individual Income Tax Collections (\$ millions)



*Based on FY 2000 projections in Governor's income tax bill.

BILL ANALYSIS

The bill is designed to implement a state income tax on individuals, trusts, and estates, using a simplified format keyed to the income tax liability reported on the federal income tax return. A family unit, such as parents and children, will file one return combining all tax that may be shown on any federal returns filed by the children. The tax is imposed at the rate of 31% of the federal tax. The federal tax is the tax after federal credits but before other taxes (currently line 49 on the 1998 1040 form) such as the alternative minimum tax.

A tax credit of 33% of the permanent fund dividend is allowed for each family member claimed as a dependent who receives a dividend in the tax year. The design is to make the benefit of the tax credit go as far as possible within the family unit. In addition, a 10.2% tax credit is allowed on the amount of longevity bonus payments received in the tax year. This effectively removes the bonus payments from the federal tax and, correspondingly, the Alaska tax. The 10.2% is determined by multiplying a 31% state tax rate by an assumed 33% effective federal tax rate. Unlike the PFD credit, the longevity bonus credit is not designed to hold the recipient harmless from the effect of the federal income tax.

A 10.2% credit is also allowed for the amount of interest received on obligations of the United States. This credit only applies if the state is precluded by federal law from applying a state tax based upon a percentage of the federal tax, a portion of which is attributable to this type of interest.

Residents will compute the Alaska tax based upon 100% of the federal tax. However, residents are allowed a credit for taxes paid to other states. Nonresidents are taxed on the percentage of the total tax attributable to Alaska income. The methodology used to compute the Alaska tax for nonresidents is the percentage of the total tax that Alaska income bears to total income.

Withholding is required on wage income. Withholding is also required in the typical crew share arrangement in the fishing industry.

A tax on individuals requires that trusts and estates also be subject to the income tax. This is necessary for fairness and to avoid creating a potentially large tax loophole. The scheme for taxation of these entities essentially follows that for resident and nonresident individuals. An Alaska trust and estate is taxed by reference to the federal tax, with a credit allowed for taxes paid to other states, and all other trusts and estates are taxed only on a percentage of the total tax attributable to Alaska income. On balance, the tax scheme is inherently simple. A taxpayer can easily determine the tax without having to pay a

CPA or attorney to prepare the return. This simplicity also means that it will be easier and less costly for the state to administer than other tax schemes.

A section by section analysis of the bill follows:

SECTION 1 – FINDINGS AND PURPOSE

This section states the income tax is intended to be a revenue raising measure.

SECTION 2 – TAXPAYER REQUIREMENTS IN CONSTITUTIONAL DISPUTES

This section adds a new subsection to the taxpayer appeals provision. The bill provides that a taxpayer that intends to contest a tax on constitutional or preemption grounds must file a notice of protest with the return and pay the amount of the contested tax. A failure to file the notice with the return precludes a refund if the tax is subsequently determined to be unconstitutional. The notice begins the informal conference administrative appeal process but this procedure is terminated if the taxpayer subsequently files an action in superior court as provided by law. The provision is intended to provide early notice of, and expedited action on, constitutional claims, and to reduce the state exposure to refund claims.

SECTIONS 3 and 4 – REFUND CLAIMS IN CONSTITUTIONAL DISPUTES

In conformity with Section 1 that requires a notice of protest with the return as a refund condition, these sections amend the statutory refund provision to remove constitutional and preemption claims from the standard two and three year filing period. The notice of protest filed with the return is considered to be a timely refund claim. The sections further provide that a taxpayer may file an action with the superior court within 60 days of the notice of protest and avoid the administrative appeal process in an appropriate case.

SECTION 5 – IMPOSITION OF TAX

This section imposes the income tax on resident individuals, nonresident and part-year resident individuals, and estates and trusts with income from sources in the state. The tax rate is 31% of the federal income tax after federal credits and before other federal taxes.

Nonresident and part-year resident individuals first compute the tax as a resident would do by applying the 31% tax rate to the entire federal tax liability. The Alaska tax liability is then determined by multiplying that result by the percentage that Alaska source income bears to all income.

SECTION 6 – RETURNS REQUIRED

This section amends the current law that applies only to corporations to provide that individuals, trusts, estates, and partnerships are also required to file income tax returns within 30 days after the federal return is required to be filed. Partnership returns will be in the nature of information returns.

SECTION 7 – AMENDED RETURNS REQUIRED FOR IRS ADJUSTMENTS

This section provides that the department may require a copy of the federal return be filed with the state return. The department currently does not intend to require the filing of a copy of the federal return with resident individual returns.

This section also amends current law to provide an objective bright line rule for how to comply at the state level with adjustments to the federal income tax returns. An amended state return is required to be filed within 60 days after a federal amended return is filed, the date upon which a federal assessment is made, or the date upon which the taxpayer waives the restrictions on assessment. This is a generally a codification of a long-standing department interpretation of present law.

SECTION 8 – CONSOLIDATED RETURNS BY FAMILY UNITS

This section provides that a family unit shall file one consolidated income tax return. The family unit is defined as all resident individuals for whom a personal exemption is claimed. For example, parents may file a joint federal return and their children may file separate federal returns. For Alaska tax purposes the federal tax shown on those filings would be combined on one state return for purposes of determining the Alaska tax.

The consolidated return requirement is achieved by aggregating all the federal tax shown on all federal returns filed by individuals in the family unit. All available state credits are then aggregated as well and applied against the state tax.

SECTION 9 – DEDUCTION FOR TAXES BASED ON NET INCOME

This section is a housekeeping amendment to make clear that only corporations are not allowed to deduct any taxes based on or measured by net income. Under the simplified individual, trust and estate income tax scheme provided in the bill, taxes of this nature are characteristically deducted in arriving at the federal tax liability. This is not envisioned to be a specific modification requiring a recomputation of the federal tax pursuant to the bill.

SECTION 10 – INCOME FROM SOURCES IN THE STATE DEFINED

For purposes of better clarity, this section repeals and reenacts the provision that allocates by source the income of individuals, estates, and trusts. In addition, the section provides that all the income of a trust established under Alaska law and of an estate of an Alaska

decendent is from an Alaska source. Income from other trusts and estates is considered to be from an Alaska source only to the extent it arises from a taxable or business situs in Alaska. The income distributed from an Alaska trust to a beneficiary for which the trust receives an income distribution deduction is considered to be Alaska source income to the beneficiary.

SECTION 11 - STATE CREDITS ALLOWED AGAINST THE TAX

This section contains the entire universe of state specific credits that are available to individuals, estates, and trusts under the income tax scheme. Except for the federal credits incorporated into state law by basing the Alaska tax on the federal tax liability after credits, no other state specific credits outside AS 43.20.046 are allowed and the credits are limited to the amount of tax liability for the taxable year in which the credits are generated with no carryback or carryforward to any other tax year.

A resident, and a trust established under state law and an estate of an Alaska decendent, is allowed a credit on taxes paid to another state or territory on income derived in that other jurisdiction. Since the tax on these persons is based on all their income, the credit prevents income from being taxed twice. The credit amount is the percentage of the computed Alaska tax that the income derived in the other jurisdiction bears to all income, and it may not exceed the actual tax paid to the other state or territory.

A credit of 33% of the amount of a permanent fund dividend is allowed for each exemption claimed on the federal return. The 33% credit amount is a rough approximation of the federal tax payable to the IRS on the dividend and the additional state tax resulting from piggybacking the state tax upon the federal tax. Each person for whom the exemption is claimed must receive the dividend in that tax year in order for the credit to apply to that exemption. This provision matches the credit with the family unit. For example, a dependent may file a separate federal return. However, the exemption for this individual is taken on the federal return of the person who supports the dependent rather than on the dependent's return. The credit provided in this section is taken on the consolidated return of the family unit. This allows for ease of administration and also provides a greater benefit to the family unit since the dependent likely is not in a 33% federal tax bracket.

10.2% of the amount of longevity bonus payments are allowed as a credit against the Alaska tax. The purpose of this credit is to remove from the federal tax the portion attributable to the inclusion of longevity bonus payments. A 33% federal marginal tax rate is used for this purpose. Multiplying the amount of the longevity bonus payments received by 33% equals the federal tax and then multiplying that amount by the Alaska tax rate of 31% is the amount of the Alaska tax that would otherwise be imposed on the

longevity bonus payments. The 10.2% credit is thus the result of multiplying 33% by 31%.

A similar credit is provided for the amount of interest received on obligations of the United States, but only to the extent required by federal law. Federal law precludes a state from taxing this income but it is unclear whether that prohibition applies to a situation where the Alaska tax is based upon a percentage of the federal tax. This credit will be unavailable if Alaska is not required by federal law to provide a credit of this nature.

SECTION 12 - ADMINISTRATION

This section is a housekeeping amendment to delete archaic and outdated provisions.

SECTION 13 - WITHHOLDING OF TAX ON WAGES

This section requires that employers withhold the state income tax from wages paid to employees at a rate of withholding set by the department, and then to report and remit the tax. For purposes of withholding, a person who pays compensation to another in the form of a share of the income from a commercial fishing activity must withhold the state income tax from the payment. These "crew share" arrangements are generally not subject to federal withholding but are necessary at the state level because many of the recipients are nonresidents. Withholding avoids some of the problems that otherwise would arise in trying to collect the tax from persons outside the state.

SECTION 14 - HOUSEKEEPING

This section merely makes a housekeeping amendment consistent with the amended return requirement provided in *SECTION 7* of the bill.

SECTION 15 - DEFINITIONS

This section defines the terms "domicile", "individual", "nonresident", and "resident". For tax purposes, a resident is not defined as a resident under the Alaska permanent fund dividend program. An individual may be a resident for income tax purposes and not qualify for a permanent fund dividend.

SECTION 16 - SECTIONS REPEALED

This section repeals AS 43.20.012, which excludes individuals, trusts, and estates from income tax, AS 43.20.013, which is a suspended refundable credit provision, AS 43.20.200(a), which deals with the review of returns that is covered in AS 43.05, and AS 43.20.300, which has been outdated since 1975 when provisions of the Internal Revenue Code were incorporated through AS 43.20.021.

Alaska Credit Individual Income Tax
Draft 1-GB1057.A
February 8, 1999
Page 7 of 14

SECTION 17 - REGULATION TRANSITION

This section allows the department to adopt regulations in 1999 to take effect on or after the bill effective date.

SECTION 18 - PROVISIONS ARE SEVERABLE

This section provides that a provision held invalid is severable from the remaining unaffected provisions.

SECTION 19 - IMMEDIATE EFFECTIVE DATE FOR REGULATIONS

Provides that *SECTION 17*, which allows the department to adopt regulations in 1999, has an immediate effective date.

SECTION 20 - BILL EFFECTIVE DATE

Establishes a January 1, 2000 effective date for the income tax on individuals, estates,

OPERATING EXPENDITURES

A separate unit of the Income and Excise Audit Division will be created to administer the taxation of income of individuals, estates, and trusts.

In general, the unit would be responsible for educating taxpayers about the tax, and receiving and processing tax returns and payments. The current Income and Excise Audit Division processes approximately 30,000 returns and reports for 16 programs. These programs are small in comparison to the processing of the 370,000 tax returns and 64,000 employer quarterly reports expected each year under the new tax bill. The new unit would be more specialized with respect to high volume processing and enforcement. There are two systems necessary to implement the taxation of individuals, estates, and trusts:

- ✓ individual, estate, and trust system
- ✓ employer withholding system

Staffing

The Individual Income Tax unit would include the following sections:

- Taxpayer Service
- Data Entry
- Accounting & Cash Management
- Compliance
- Appeals
- Programming

Alaska Credit Individual Income Tax
Draft 1-GB1057.A
February 8, 1999
Page 8 of 14

We would staff the unit with 41 permanent positions and 46 temporary positions. We would utilize the temporary positions for data entry, mail handling, and taxpayer service. Temporary personnel would work five months a year in data entry, or three months in mail handling and taxpayer service. We have planned two shifts a day to maximize client (taxpayer) service and to minimize equipment costs.

We calculated the staffing costs included in this fiscal note by patterning the new unit after the existing structure of the Income and Excise Audit Division with the addition of a Taxpayer Service Section and the augmentation of the Collection Section. We adjusted staffing for differences in the number of documents processed. We planned staffing utilizing the lowest staff grades possible.

We have checked the proposed staffing level for reasonableness by comparison to the states of Montana and North Dakota. We selected these states for comparability in population base and complexity of the income tax. We compared staffing requirements to the Permanent Fund Dividend Division for reasonableness and for the contingency that we would combine mail room and data entry operations to gain economies of scale.

We have planned staffing based on the first dates that particular staff is needed. For example, collection staffing would not be funded until FY 02, audit staffing funded in FY 01. One appeals position would be funded in FY 00 to draft regulations, policies, and procedures. The second appeals position would be funded in FY 02, as appealed cases increase.

CAPITAL EXPENDITURES

Start-up costs are difficult to quantify because the last state to build a new system was Connecticut in 1991. At the time, the best available technology was main-frame technology; their start-up costs were \$7.6 million in the first year of implementation of the tax. We would not choose a main-frame system because of its lack of flexibility. Most states are moving toward client-server technology. Wyoming has more recently studied (but not ultimately imposed) a personal income tax. Their start-up costs were estimated at \$3.8 million, based on a client-server environment. This included imaging equipment (to store the document), but did not include Optical Character Recognition software, which would take the place of data-entry. These estimates were rough and were not detailed.

We estimate that the costs will be approximately \$5.4 million spread out over the first three years of implementation. The Administrative Services Division based this estimate on the list of tasks to be performed by the system (see attached task list). Because we had such a short time frame to analyze costs and a true needs analysis was not performed,

most experts would recommend a contingency allowance of 100-300 percent. These estimates do not include such a contingency allowance recognizing that budgets are reviewed and can be corrected on an annual basis. The estimated cost is significantly affected by the short time-frame for implementation. Projects of this magnitude, of such a critical nature, normally are designed, implemented, tested, and brought on-line in 18 months.

REVENUE

The attached analysis details the revenue increase due to the imposition of the Alaska Credit Individual Income tax. We used 1996 Internal Revenue Service data, plus the federal tax based upon a 10% increase in Alaska Gross Income to account for non-residents. In FY 00, we are estimating that the Alaska Credit Income Tax will result in 175 million dollars of revenue. This is half of the total annual revenue estimate of 350 million dollars. Actual revenue might be larger or smaller depending on the timing of withholding, refunds and estimated payments. For FY 01-05, we are estimating an annual revenue of 350 million dollars. Clearly, this does not account for inflation, growth of real income, population increases or labor market effects. We did not include any of these factors to try and minimize the amount of uncertainty in our revenue model. Additionally, any labor-supply effects will probably be counter balanced by income and population growth. Economists differ on the size of labor-supply effects but in a survey of the literature done by Heckman (1993), he found that elasticities are closer to zero than one. That is, the labor supply is not very responsive to changes in wages and income.

System Tasks

The computer hardware and software (the system) are necessary to process income tax returns, employer reports, and payments. We will use the system for the following tasks:

- credit withholding payments to employer payors and individual taxpayer accounts
- record employer quarterly reports including individual taxpayers to which the reports relate (names social security numbers, and amounts for each taxpayer.)
- credit estimated tax payments and payments received with individual income tax returns
- record individual income tax return information
- cross-match employer withholding to withholding claimed by individual taxpayers
- cross-match income tax filings with Internal Revenue Service data tapes to check validity of tax returns filed and to identify non-filers
- link to Permanent Fund Division data to establish taxpayer name, address, and social security data-base and to identify income tax non-filers who did not file a federal income tax return
- cross-match employer quarterly report filings with Department of Labor to identify non-filers
- record and cross-match Form 1099-equivalent to identify non-filers
- generate routine billings for tax, interest, and penalties due
- generate subsequent demand letters in the event of non-payment
- generate liens and levies upon determination by enforcement personnel
- link to Permanent Fund Division data for validity check on deductions or credits with respect to the Permanent Fund Dividend.
- provide access to taxpayers for electronic filing

Alaska Credit Individual Income Tax

Draft 1-GB1057.A

February 8, 1999

Page 11 of 14

- link to Child Support Enforcement Division for seizure of income tax refunds for application to delinquent child support obligations

- link to Permanent Fund Dividend Division and possibly Child Support Division data to provide an opportunity for taxpayers to choose to apply available money toward their income tax

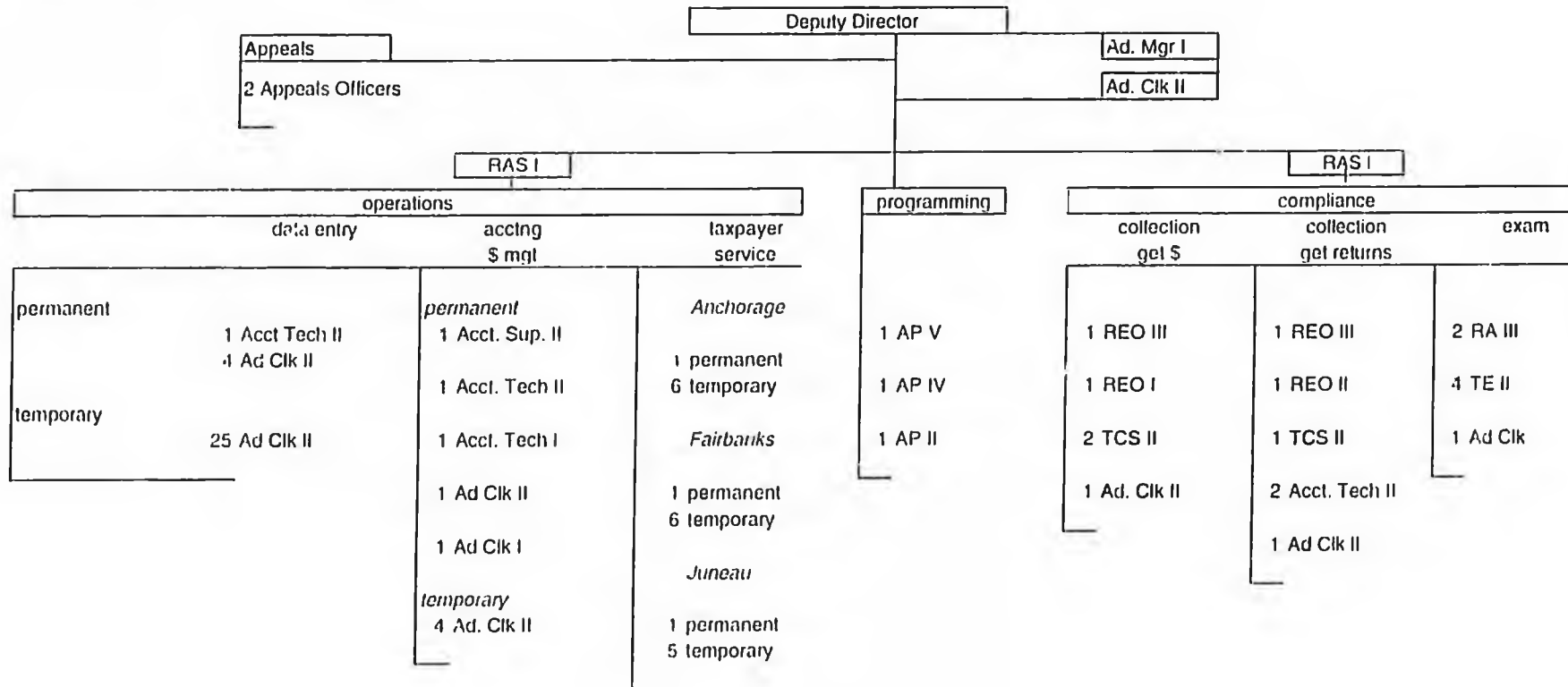
Alaska Administration Costs Using Estimated Staffing Requirements (in thousands)

By Fiscal Year

Staffing	# Positions	Range	start date	annual costs excluding payroll**	Personal Services	Total annual costs	PERSONNEL DEPENDENT COSTS										
							FY 00		FY 01	FY 02	FY 03	FY 04	FY 05				
							equipment	operating									
Permanent Full Time																	
Deputy Director	adm	1	24	Jul-99	28.8	86.9	115.7	7.5	115.7	115.7	115.7	115.7	115.7	115.7	115.7		
Appeals--RA IV	appeals	1	20	Aug-99	17.6	67.7	85.3	7.5	78.2	85.3	85.3	85.3	85.3	85.3	85.3		
Appeals--RA IV	appeals	1	20	Aug-01	17.5	67.7	85.2	7.5		78.1	85.2	85.2	85.2	85.2	85.2		
RAS I	operations	1	22	Aug-99	17.6	76.6	94.2	7.5	86.4	94.2	94.2	94.2	94.2	94.2	94.2		
RAS I	exam	1	22	Jul-01	17.5	76.6	94.1	7.5		94.1	94.1	94.1	94.1	94.1	94.1		
RA III	exam	2	18	Jul-01	43.6	118.6	162.2	15.0		162.2	162.2	162.2	162.2	162.2	162.2		
TE II	exam	2	12	Apr-00	27.6	82.4	110.0	15.0	27.5	110.0	110.0	110.0	110.0	110.0	110.0		
TE II	exam	2	12	Jul-01	27.6	82.4	110.0	15.0		110.0	110.0	110.0	110.0	110.0	110.0		
Ad Clk II	exam	1	8	Apr-00	13.8	33.7	47.5	7.5	11.9	47.5	47.5	47.5	47.5	47.5	47.5		
REO III	collection/vets	1	18	Jul-00	18.8	59.3	78.1	7.5		70.1	78.1	78.1	78.1	78.1	78.1		
REO II	collection/vets	1	18	Jul-01	18.3	52.8	71.1	7.5		71.1	71.1	71.1	71.1	71.1	71.1		
TCS II	collection/vets	1	12	Jul-01	13.8	41.2	55.0	7.5		55.0	55.0	55.0	55.0	55.0	55.0		
Ad Clk II	collection/vets	1	8	Jul-01	13.8	33.7	47.5	7.5		47.5	47.5	47.5	47.5	47.5	47.5		
TCS II	collection/S	2	12	Jul-01	27.6	82.4	110.0	15.0		110.0	110.0	110.0	110.0	110.0	110.0		
REO III	collection/S	1	18	Jul-01	18.8	59.3	78.1	7.5		78.1	78.1	78.1	78.1	78.1	78.1		
REO I	collection/S	1	14	Jul-01	13.8	45.3	59.1	7.5		59.1	59.1	59.1	59.1	59.1	59.1		
Acct Tech II	collection/S	2	14	Jul-01	27.6	90.6	118.2	15.0		118.2	118.2	118.2	118.2	118.2	118.2		
Ad Clk II	collection/S	1	8	Jul-01	13.8	33.7	47.5	7.5		47.5	47.5	47.5	47.5	47.5	47.5		
AP V	programming	1	22	Sep-99	18.8	76.6	95.4	7.5	79.5	95.4	95.4	95.4	95.4	95.4	95.4		
AP IV	programming	1	20	Sep-99	18.8	67.7	86.5	7.5	72.1	86.5	86.5	86.5	86.5	86.5	86.5		
AP II	programming	1	16	Sep-99	18.8	52.8	71.6	7.5	59.7	71.6	71.6	71.6	71.6	71.6	71.6		
TE II	lps	1	12	Sep-99	13.8	41.2	55.0	7.5	45.8	55.0	55.0	55.0	55.0	55.0	55.0		
TE II	lps	2	12	Jan-00	27.6	82.4	110.0	15.0	55.0	110.0	110.0	110.0	110.0	110.0	110.0		
Acct. Sup. II	acct/S mgt	1	16	Mar-00	13.8	52.8	66.6	7.5	22.2	66.6	66.6	66.6	66.6	66.6	66.6		
Acct. Tech II	acct/S mgt	1	14	Mar-00	13.8	45.3	59.1	7.5	19.7	59.1	59.1	59.1	59.1	59.1	59.1		
Acct. Tech I	acct/S mgt	1	12	Mar-00	13.8	41.2	55.0	7.5	18.3	55.0	55.0	55.0	55.0	55.0	55.0		
Ad Clk II	acct/S mgt	1	8	Mar-00	13.8	33.7	47.5	7.5	15.8	47.5	47.5	47.5	47.5	47.5	47.5		
Ad Clk I	acct/S mgt	1	7	Mar-00	13.8	32.4	46.2	7.5	15.4	46.2	46.2	46.2	46.2	46.2	46.2		
Acct. Tech II	data entry	1	14	Apr-00	13.8	45.3	59.1	7.5	14.8	59.1	59.1	59.1	59.1	59.1	59.1		
Ad Clk II	data entry	4	8	Apr-00	55.2	134.8	190.0	30.0	47.5	190.0	190.0	190.0	190.0	190.0	190.0		
Ad Mgr.	adm	1	15	Jul-99	13.8	49.3	63.1	7.5	63.1	63.1	63.1	63.1	63.1	63.1	63.1		
Ad Clk II	adm	1	8	Aug-99	13.8	33.7	47.5	7.5	43.5	47.5	47.5	47.5	47.5	47.5	47.5		
Subtotal permanent positions							41	641.3	1980.1	2621.4	307.5	892.1	1,583.4	2,614.3	2,621.4	2,621.4	
Temporary																	
Ad Clk II	mailfiles (acctg)	4	8	2/20-5/19	15.1	33.6	48.7	15.0		48.7	48.7	48.7	48.7	48.7	48.7		
TE II	lps	17	8	2/20-5/19	61.9	142.8	207.7	67.5		207.7	207.7	207.7	207.7	207.7	207.7		
Ad Clk II	data entry	25	8	2/01-6/03	143.1	350.0	493.1	97.5		493.1	493.1	493.1	493.1	493.1	493.1		
Equipment																	
											100.0	100.0	100.0	100.0	100.0	100.0	
Subtotal Temporary							46	223.1	526.4	749.5	100.0	100.0	100.0	100.0	100.0	100.0	
SUBTOTAL- PERSONNEL DEPENDENT COSTS							87	864.4	2,506.5	3,370.9	407.5	1,072.1	2,520.4	3,483.0	3,370.9	3,370.9	
Add: Common area occupancy*								84.6	84.6	84.6	84.6	84.6	84.6	84.6	84.6	84.6	
TOTAL COSTS								949.0	2,591.1	3,455.5	492.1	1,156.7	2,605.0	3,568.4	3,455.5	3,455.5	
0% Personnel annual step increase assumed Implementation Team																	

* Common area includes: taxpayer lobby, mailroom, conference rooms, file space

** Includes travel, contractals, supplies, and space costs. Contractals include maintenance, copier lease, data-base access charges, outside services, etc.



total FTE's		
permanent		41.0
temporary	21 * 3 mo. =	5.3
temporary	25 * 5 mo. =	10.4
total FTE's		<u>56.7</u>

REO = Revenue Enforcement Officer (old class)
 ranges equal to Revenue Auditor class

TCS = Tax Collection Specialist (old class)
 ranges equal to Tax Examiner class

	A	B	C	D	E	F	G
1	Alaska Credit Individual Income Tax						
2	Draft 1-GB1057.A						
3	February 8, 1999						
4	Page 14 of 14						
5							
6	1996 SOI Data	% of Federal Income Tax					
7							
8							
9	Target Revenue	\$ 350,000,000					
10	NR Business Income Tax Est.	\$ -	<<<Enter the revenue you expect from Non-resident business income				
11	Model Target Revenue	\$ 350,000,000					
12	Rate on Fed Tax < \$4,000	none	<<< none = flat				
13	PFD (individual amount)	\$ 1,500					
14	PFD Credit (Y or N)	y	>>>> If 'Y' enter >>>>>		% PFD for credit	33.3%	
16							
17	AGI range (000)	< \$30	\$30 < 50	\$50 < 75	\$75 < 100	>= \$100	Total
26							
27	Federal income tax	136,794,000	229,625,000	330,627,000	273,064,000	680,937,000	1,651,047,000
28	Est FIT on NR wages	21,821,820	25,063,995	30,207,345	20,641,650	25,906,425	123,641,235
29							
30	Alaska Tax Base	158,615,820	254,688,995	360,834,345	293,705,650	706,843,425	1,774,688,235
31	Amount over Bracket			360,834,345	293,705,650	706,843,425	
32							
33	Tax Generated (Base x Rate)	49,048,331	78,756,773	111,579,805	90,821,785	218,575,235	548,781,929
34							
35	PFD Credit	(40,844,430)	(49,665,035)	(46,477,726)	(24,506,969)	(20,959,769)	(182,453,929)
36	Credit: taxes pd to other states	(1,456,000)	(3,132,000)	(4,763,000)	(3,324,000)	(3,653,000)	(16,328,000)
37							
38							
39	Revenue (Tax - Credits)	6,747,901	25,959,737	60,339,080	62,990,816	193,962,466	350,000,000
40							
41	Flat Rate	31%	31%	31%	31%	31%	

FISCAL NOTE

Bill Version: HB 91
 (H) Publish Date: 2/10/99

STATE OF ALASKA
 1999 LEGISLATIVE SESSION

Revision Date/Time (Note if correction) _____ Dept. Affected Revenue
 Title Alaska Credit Individual Income Tax BRU Revenue Operations
 Component Income and Excise Audit
 Sponsor Rules
 Requester Governor Component Serial No. 113

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

OPERATING EXPENDITURES	FY 2000	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005
Personal Services	681.7	1,722.4	2,500.8	2,506.5	2,506.5	2,506.5
Travel	34.4	42.5	75.2	75.5	75.5	75.5
Contractual	247.8	616.1	819.9	820.9	820.9	820.9
Supplies	12.8	36.5	52.5	52.6	52.6	52.6
Equipment	180.0	187.5	120.0			
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	1,156.7	2,605.0	3,568.4	3,455.5	3,455.5	3,455.5
CAPITAL EXPENDITURES**	1,942.0	2,217.0	1,226.0			
CHANGE IN REVENUES ()	175,000.0	350,000.0	350,000.0	350,000.0	350,000.0	350,000.0

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF	3,098.7	4,822.0	4,794.4	3,455.5	3,455.5	3,455.5
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type)						
TOTAL	3,098.7	4,822.0	4,794.4	3,455.5	3,455.5	3,455.5

Estimate of current year (FY99) cost: 0.0

POSITIONS

Full-time	24	1	16			
Part-time						
Temporary		46	46	46	46	46

ANALYSIS: (See attached for further analysis)

** These estimates do not include a contingency allowance (see narrative).

Prepared by Brett Fried Phone 465-3682
 Division Income and Excise Audit Date/Time February 8, 1999
 Approved by Wilson L. Condon Date February 8, 1999
 Commissioner Department of Revenue
 Agency

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COMMITTEE COPY

HB

96

HOUSE COMMITTEE REPORT

(7)

Date Referred to Committee: March 5, 1999

FURTHER REFERRALS:

Finance

Date of Committee Action: 3/23/99

The STATE AFFAIRS Committee considered:

SSHB 96

SPONSOR SUBSTITUTE FOR HOUSE BILL NO. 96

DEPOSITS TO THE PERMANENT FUND

"An Act relating to deposits to the Alaska permanent fund; and providing for an effective date."

recommends it be replaced with the following committee substitute _____ the same title a new title

additional referral to _____ Committee
 attached amendment(s)

ADOPTS: _____ Letter of Intent

ATTACHES NEW FISCAL NOTE(S): _____ (Dept)

APPROVES PREVIOUS: _____ (Dept/Date)

fiscal note(s) _____

fiscal note(s) _____

zero fiscal note(s) REV

zero fiscal note(s) _____

SIGNING WITH RECOMMENDATIONS	DP	DNP	NR	AM
<i>Juanette James</i>	✓			
<i>Hal Smalley</i>			✓	
<i>Bern Korttula</i>			✓	
<i>John Capwell</i>			✓	
<i>Bill Hudson</i>	✓			
<i>M. A. A.</i>	✓			
<i>Scott Dyer</i>		✓		

CHAIR'S SIGNATURE *Juanette James*

ALASKA STATE LEGISLATURE

House of Representatives

COMMITTEE ASSIGNMENTS

LABOR & COMMERCE COMMITTEE, CHAIRMAN
JUDICIARY COMMITTEE, MEMBER
LEGISLATIVE COUNCIL, MEMBER
SPECIAL COMMITTEE ON UTILITY RESTRUCTURING, MEMBER
SPECIAL COMMITTEE ON ECONOMIC DEVELOPMENT &
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Representative Norman Rokeberg

SPONSOR STATEMENT SSHB96

"An Act Relating to Deposits to the Alaska Permanent Fund"

This legislation returns the percentage of all mineral lease royalties and bonuses deposited into the Permanent Fund to the constitutionally mandated 25 percent.

SSHB96 proposes changes to a statute—not the Constitution. The Constitution states that "at least twenty-five percent 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." In 1980, the Legislature realized excess revenues existed (GF revenues for FY81 totaled \$4.07 billion) and wisely decided to raise the amount of royalties and bonuses deposited into the Permanent Fund to 50 percent.

It is time for the State of Alaska to redirect these deposits to the General Fund. Passage of this bill would generate an extra \$9.5 million in FY 00, and an extra \$16 million (average) per year—plus bonus revenues—over the next fifteen years.

As the Prudhoe Bay and Kuparuk fields—which currently contribute to the General Fund at a 75 percent rate—diminish, we need to replace them with the new, smaller satellite fields contributing at the same rate.

While we can and should make budget cuts, we would be foolish to ignore this source of General Fund revenue in solving our budget problem, as well as, planning for the potential future development of Alaska's resources. Prudent fiscal management requires this statutory change. SSHB96 is a small step in the right direction.

I urge you to support this legislation.

ALASKA STATE LEGISLATURE

House of Representatives

COMMITTEE ASSIGNMENTS:

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JUDICIARY COMMITTEE, MEMBER
LEGISLATIVE COUNCIL, MEMBER
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Representative Norman Rokeberg

SECTIONAL ANALYSIS Sponsor Substitute for House Bill 96 Deposits to the Alaska Permanent Fund

Prepared by Representative Rokeberg (via Legal Services)

Section 1: Provides that the permanent fund consists of 25 percent of the state receipts from itemized mineral sources and of money appropriated to the fund or allocated by law or former law to the fund.

Section 2: This Act takes effect immediately.

Legislative Research Report 99.052
February 16, 1999

Estimated Impact on the General Fund if Permanent Fund Contributions Were at 25 Percent of Mineral Income

Legislative Research Services
Division of Legal and Research Services
Legislative Affairs Agency
Alaska State Legislature

Prepared for Representative Norman Rokeberg
Prepared by Maria Gladziszewski, Manager



Legislative Research Services
130 Seward Street, Room 218
Juneau, AK 99801
907-465-3991
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www.legis.state.ak.us/research/home.htm

PERMANENT FUND CONTRIBUTIONS AT 25 PERCENT OF MINERAL INCOME

Alaska Statute 37.13.010 specifies that 25 percent of income from mineral leases issued before December 1, 1979 must be deposited into the permanent fund.¹ For leases issued after December 1, 1979, required permanent fund contributions are 50 percent of income. You asked us to calculate the effect on the permanent fund and general fund if required deposits to the permanent fund were 25 percent of income from all mineral leases.²

Previously, we sent you a table showing actual contributions to the permanent fund from mineral revenues for the past eight years (1990-1998) as well as projected revenues from oil and gas royalties through 2013 (Legislative Research Report 99.010, December 1998). You asked for details--such as assumptions regarding oil prices and production--on how the projections were calculated. The attached table provides some of those details. Charles Logsdon, petroleum economist at the Alaska Department of Revenue, provided the predictions using data from the department's revised fall 1998 forecast. As you can see from Table 1, if all deposits to the permanent fund were at 25 percent of income, the Department's revised fall 1998 forecasting model estimates additional deposits to the General Fund averaging \$16 million annually over the next 15 years.

The Department of Revenue estimates contributions based on production forecasts on a field by field basis. As the table indicates, the price of oil used to calculate the contributions presented in Table 1 was \$11.58 for the remainder of 1999 and \$12.50 for 2000.³ When preparing the revised projections for this report, Mr. Logsdon discovered that he failed to subtract from the original numbers (presented in Research Report 99.010) the oil and gas royalties that go to the school fund. The revenue impact on the general fund, therefore, is less than estimated previously.

It should be noted that neither bonuses from mineral sales nor the small amount of mineral rent deposited into the state treasury, primarily from coal leases, is included in the department's forecasting model. Future revenue from currently undiscovered sources of oil are also not included in these projections. The additional general fund revenues predicted in Table 1, therefore, underestimate deposits to the extent that mineral rents, bonuses, and revenues from as yet undiscovered fields are not included in the figures; additional annual deposits to the general fund would likely exceed the figures presented in Table 1.

I hope you find this information useful. Please do not hesitate to contact us if you have questions or need additional information.

¹ This report discusses what happens to state mineral revenues once they are collected. Changes to AS 37.13.010 affect not the amount of revenue collected overall, but how much revenue is deposited into the permanent fund as opposed to the general fund. Deposits to the permanent fund under AS 37.13.010 derive mostly from petroleum (primarily oil royalties) but they also include some revenue from other minerals (mostly coal).

² The majority of mineral income deposited into the permanent fund comes from leases issued before December 1, 1979, and is, therefore, already deposited at the 25 percent rate. Alaska Statute 37.13.010 specifies that only the following incomes from leases issued after December 1, 1979 are subject to 50 percent deposits: mineral lease rentals, royalties, royalty sale proceeds, net profit shares, and federal mineral revenue sharing payments. Bonuses received by the state from mineral leases issued after February 15, 1980 are also subject to 50 percent deposits.

³ The oil prices assumed on the spreadsheet can be changed to roughly estimate the revenue impact of changing the 50 percent permanent fund contributing leases to 25 percent as oil prices vary. Production changes, though, depend on what oil fields are assumed to change from the baseline and would have to be re-estimated by the Department of Revenue.

**Projected Contributions to the Permanent and General Funds from Mineral Royalties
If All Leases Contributed to the Permanent Fund at 25 Percent of Royalties**

Fiscal Year	A	B	C	D	E	F	G	H	I	J	K	L	M
	ANS West Coast Price	TAPS, Marine, Other Allowable Costs	Royalty Wellhead Price	Daily Production	Annual Value of Production for Royalties	Average Royalty Rate	North Slope Current Gross Royalties	Current Average Permanent Fund Contribution Rate	Current		If Permanent Fund Contributions @ 25%		
									Contribution to the Permanent Fund from North Slope Oil	Contribution to the General Fund from North Slope Oil	Contribution to the Permanent Fund from North Slope Oil	Contribution to the General Fund from North Slope Oil	Estimated Gain to the General Fund
									Millions of Dollars	Millions of Dollars	Millions of Dollars	Millions of Dollars	Millions of Dollars
Dollars	Dollars	Dollars	Millions of Barrels/Day	Millions of Dollars	Percent	Millions of Dollars	Percent	Millions of Dollars					
		A-B			C*D*365		E*F		G*H	G-I	G*25%	G-K	L-J
1999	\$11.58	\$5.05	\$6.53	1.177	\$2,035.3	13%	\$356.9	27%	\$94.7	\$262.2	\$89.2	\$267.7	\$5.5
2000	\$12.50	\$4.80	\$7.70	1.117	\$3,147.9	13%	\$399.6	27%	\$109.4	\$290.1	\$99.9	\$299.7	\$9.5
2001	\$15.90	\$4.99	\$10.91	1.146	\$4,564.2	12%	\$567.9	27%	\$155.8	\$412.1	\$142.0	\$425.9	\$13.8
2002	\$16.23	\$5.06	\$11.18	1.159	\$4,726.2	12%	\$583.9	28%	\$164.3	\$419.6	\$146.0	\$438.0	\$18.3
2003	\$18.66	\$5.11	\$11.55	1.175	\$4,952.7	12%	\$608.8	29%	\$175.6	\$433.2	\$152.2	\$456.6	\$23.4
2004	\$17.13	\$5.17	\$11.96	1.139	\$4,985.1	12%	\$614.9	29%	\$177.0	\$437.9	\$153.7	\$461.2	\$23.3
2005	\$17.61	\$5.93	\$11.68	1.060	\$4,519.7	12%	\$558.8	29%	\$159.7	\$399.1	\$139.7	\$419.1	\$20.0
2006	\$18.10	\$6.10	\$12.00	0.987	\$4,324.4	12%	\$536.2	28%	\$152.0	\$384.2	\$134.0	\$402.1	\$18.0
2007	\$18.62	\$6.25	\$12.37	0.925	\$4,175.7	13%	\$528.8	28%	\$149.5	\$379.3	\$132.2	\$396.6	\$17.3
2008	\$19.16	\$6.45	\$12.71	0.859	\$3,995.0	13%	\$510.4	28%	\$143.9	\$366.4	\$127.6	\$382.8	\$16.4
2009	\$19.72	\$6.63	\$13.09	0.799	\$3,817.6	13%	\$489.3	28%	\$137.6	\$351.7	\$122.3	\$367.0	\$15.3
2010	\$20.31	\$7.42	\$12.89	0.746	\$3,500.4	13%	\$445.3	28%	\$125.1	\$320.2	\$111.3	\$334.0	\$13.8
2011	\$20.91	\$7.69	\$13.22	0.695	\$3,355.1	13%	\$427.1	28%	\$119.9	\$307.2	\$106.8	\$320.3	\$13.1
2012	\$21.52	\$7.64	\$13.88	0.647	\$3,274.6	13%	\$419.4	28%	\$117.5	\$301.9	\$104.8	\$314.5	\$12.7
2013	\$22.15	\$7.94	\$14.21	0.602	\$3,125.2	13%	\$400.2	28%	\$112.1	\$288.1	\$100.1	\$300.2	\$12.0

NOTES: Alaska Statute 37.13.010 specifies that 50 percent of income from mineral leases issued after December 1, 1979, must be deposited into the permanent fund. For leases issued before December 1, 1979, required permanent fund contributions are 25 percent of income. This table projects future deposits into both funds if contributions to the Permanent Fund from all leases were at 25 percent of income. Projections are based on the Alaska Department of Revenue's revised fall 1998 revenue forecast. Figures include oil and gas royalties only (i.e., mineral rents and bonuses are not included).

SOURCE: Alaska Department of Revenue, Oil & Gas Audit Division (Charles Logsdon).

Article IX

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.

A legislative post-audit is a review of the expenditure of public funds by all government agencies (legislative, executive and judicial) to ensure that the agencies spent the money in compliance with applicable laws and regulations. A post-audit contrasts with the pre-audit used in some states where expenditures are reviewed *before* payment is made. This section makes the auditor responsible to the legislature, as a potential conflict of interest exists if the post-auditor is appointed by and responsible to the governor, as is the case in some states

State statutes that implement this section (AS 24.20.270) authorize the legislative auditor to undertake "performance" audits as well as financial audits. A performance audit evaluates a program's management and its effectiveness in meeting its goals.

Section 15. Alaska Permanent Fund

At least twenty-five percent 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.

A constitutional amendment in 1976 added this entire section. It mandates the creation of the Alaska Permanent Fund. An amendment was required because Section 7 prohibits dedicated funds. Although the permanent fund dedicates nontax petroleum revenue (royalties and lease-related revenue received by the state by virtue of its ownership of oil lands), the phrase "tax or license" used in Section 7 has been interpreted to encompass all forms of public revenue.

Dedicated funds normally specify the source of the revenue and the purpose for which it is to be expended (for example, motor fuel taxes are often dedicated to highway construction, lottery income to education, and so on). This provision specifies merely that certain money will be deposited to a special fund and invested, only the earnings of which may be appropriated by the legislature. Nonetheless, the fund represents a type of dedication because the deposits bypass the legislative appropriation process. The fund's earnings are not earmarked for a particular purpose by the constitution; they are deposited in the general fund "unless otherwise provided by law." The law on the matter provides that approximately half of the annual income of the fund is to be distributed on a per capita basis (the dividend program) and as much of the balance as necessary is to be deposited to the corpus (principal) of the fund to account for losses in the value of the fund due to inflation (so-called inflation-proofing). Any income remaining after these purposes are satisfied is deposited to a reserve account for future dividends and inflation-proofing.

APPENDIX A OIL AND GAS FIELDS

Field	Type	Location	Discovery Operator	Production
ALBERT KALOA	Gas	Cook Inlet, west side, onshore	1/4/88 CIRI	shut-in 1971
ALPINE	Oil	North Slope, Colville Delta, onshore	3/27/84 Arco	underway 100%
BADAMI	Oil & Gas	North Slope, Canning R., offshore	4/27/90 BP	underway 100% *
BEAVER CREEK	Oil & Gas	Cook Inlet, east side, onshore	12/17/72 Marathon	prod. began 1973
BELUGA RIVER	Gas	Cook Inlet, west side, onshore	12/1/82 Arco	prod. began 1988
BIRCH HILL	Gas	Cook Inlet, east side, onshore	8/9/85 Arco	shut-in 1985
BURGER	Oil & Gas	OCS, Beaufort Sea, offshore	10/14/89 Shell	undeveloped
CANNERY LOOP	Gas	Cook Inlet, east side, onshore	6/24/79 Marathon	prod. began 1988 *
CASCADE	Oil	North Slope, central, onshore	3/14/83 BP	prod. began 1988
COLVILLE DELTA	Oil	North Slope, Colville Delta, onshore	4/20/85 Arco	undeveloped
EAST BARROW	Gas	North Slope, western, onshore	6/1/74 NS Borough	prod. began 1981
EAST KURUPA	Gas	North Slope, foothills, onshore	3/1/78	undeveloped
EAST UMIAT	Gas	North Slope, foothills, onshore	3/28/84 UMC Pat.	shut-in, no production
ENDICOTT	Oil	North Slope, central, onshore	2/14/78 BP	prod. began 1987 *
FALLS CREEK	Gas	Cook Inlet, east side, onshore	4/10/61 Marathon	shut-in 1981
FIORD	Oil	North Slope, Colville Delta, onshore	4/18/92 Arco	undeveloped
FISH CREEK	Oil	North Slope, NPRA, onshore	9/4/49	undeveloped
FLAXMAN ISLAND	Oil	North Slope, Canning R., offshore	9/8/75 Exxon	undeveloped
GRANITE POINT	Oil & Gas	Cook Inlet, west side, offshore	5/18/85 Unocal	prod. began 1987
GUBIK	Gas	North Slope, foothills, onshore	8/11/51	undeveloped
GWYDYR BAY	Oil	North Slope, central, onshore	11/25/69 BP	undeveloped
HAMMERHEAD	Oil	OCS, Beaufort Sea, offshore	10/11/88 Chevron	undeveloped
HEMI SPRINGS	Oil	North Slope, central, onshore	4/3/84	undeveloped
IVAN RIVER	Gas	Cook Inlet, west side, onshore	10/8/68 Unocal	prod. began 1980 *
KALUBIK	Oil	North Slope, Colville Delta, offshore	5/1/92 Arco	undeveloped
KATALLA	Oil	Gulf of Alaska, onshore	1/1/02	abandoned 1933
KAVIK	Gas	North Slope, foothills, onshore	11/5/89 Arco	undeveloped
KEMIK	Gas	North Slope, foothills, onshore	6/17/72 BP	undeveloped
KENAI	Gas	Cook Inlet, east side, onshore	10/11/59 Marathon	prod. began 1981
KUPARUK RIVER	Oil & Gas	North Slope, central, onshore	4/7/69 Arco	prod. began 1981 *
KUVLUM	Oil	OCS, Beaufort Sea, offshore	10/1/92 Chevron	undeveloped
LEWIS RIVER	Gas	Cook Inlet, west side, onshore	10/1/75 Unocal	prod. began 1984
LIBERTY = TERN ISLAND	Oil	OCS, Beaufort Sea, offshore	3/3/83 BP	undeveloped
LISBURNE	Oil & Gas	North Slope, central, onshore	12/19/67 Arco	prod. began 1986
MCARTHUR RIVER	Oil & Gas	Cook Inlet, west side, offshore	9/29/65 Unocal	prod. began 1967
MEADE	Gas	North Slope, NPRA, onshore	8/21/50	undeveloped
MIDDLE GROUND SHOAL	Oil & Gas	Cook Inlet, mid channel, offshore	6/10/62 Unocal/Shell	prod. began 1967
MIKKELSON	Oil	North Slope, central, onshore	11/11/78 Exxon/Arco	undeveloped
MILNE POINT	Oil	North Slope, central, onshore	8/9/69 BP	prod. began 1985 *
MOQUAWKIE	Gas	Cook Inlet, west side, onshore	11/28/65 CIRI	shut-in 1979
NIAKUK	Oil	North Slope, central, offshore	3/7/85 BP/Arco	prod. began 1984
NICOLAI CREEK	Gas	Cook Inlet, west side, onshore	4/28/68 Unocal	shut-in 1971
NORTH COOK INLET	Gas	Cook Inlet, mid channel, offshore	8/21/62 Phillips	prod. began 1970
NORTH FORK	Gas	Cook Inlet, east side, onshore	12/20/65 Gas-Pro	shut-in 1985
N. MIDDLE GROUND SHOAL	Oil & Gas	Cook Inlet, mid channel, offshore	11/15/64 Unocal	undeveloped
NORTH PRUDHOE	Oil & Gas	North Slope, central, onshore	3/31/70 Arco	prod. began 1993
NORTHSTAR	Oil & Gas	North Slope, central, offshore	1/30/84 BP	undeveloped
NORTH TRADING BAY	Oil	Cook Inlet, offshore	various	abandoned 1933
NORTH TRADING BAY	Gas	Cook Inlet, offshore	Marathon	prod. began 1996
POINT MCINTYRE	Oil & Gas	North Slope, central, offshore	3/22/88 Arco	prod. began 1993 *
POINT THOMSON	Oil & Gas	North Slope, Canning R., offshore	12/8/77 Exxon	undeveloped
PRETTY CREEK	Gas	Cook Inlet, west side, onshore	2/20/79 Unocal	prod. began 1986
PRUDHOE BAY	Oil & Gas	North Slope, central, onshore	12/19/67 BP/Arco	prod. began 1977
REDOUBT SHOAL	Oil	Cook Inlet, west side, offshore	9/21/68 Forcenenergy	proposed
SAG DELTA NORTH	Oil	North Slope, central, onshore	1/25/82 BP	prod. began 1989 *
SAG RIVER	Oil	North Slope, central, onshore	8/9/89 BP	prod. began 1994
SANDPIPER	Oil	OCS, Beaufort Sea, offshore	1/25/88 Murphy	undeveloped
SCHRADER BLUFF	Oil	North Slope, central, onshore	8/9/69 BP	prod. began 1991 *
SIKULIK	Gas	North Slope, western, onshore	4/18/88 NS Borough	undeveloped
SIMPSON	Oil	North Slope, NPRA, onshore	10/23/50	undeveloped
SOURDOUGH	Oil	North Slope, Canning R., offshore	4/27/94 BP	undeveloped
SOUTH BARROW	Gas	North Slope, western, onshore	4/15/49 NS Borough	prod. began 1950
SQUARE LAKE	Gas	North Slope, NPRA, onshore	4/18/52	undeveloped
STARICHKOF	Oil	Cook Inlet, east side, offshore	4/1/67 Forcenenergy	undeveloped

Field	Type	Location	Discovery Operator	Production
STERLING	Gas	Cook Inlet, east side, onshore	7/11/81 Marathon	prod. began 1982 *
STINSON	Oil	North Slope, Canning R., offshore	8/20/90 Arco	undeveloped
STUMP LAKE	Gas	Cook Inlet, west side, onshore	5/14/78 Unocal	prod. began 1990
SUNFISH = TYONEK DEEP	Oil & Gas	Cook Inlet, mid channel, offshore	11/5/91 Phillips	undeveloped *
SWANSON RIVER	Oil & Gas	Cook Inlet, east side, onshore	7/19/57 Unocal	prod. began 1958
TABASCO	Oil	North Slope, central, onshore	1/1/82 Arco	proposed
TARN	Oil	North Slope, central, onshore	2/3/91 Arco	underway 50% +/-
TERN ISLAND = LIBERTY	Oil	OCS, Beaufort Sea, offshore	3/3/83 BP	undeveloped
THETIS ISLAND	Oil	North Slope, central, offshore	4/28/93 Anadarko	undeveloped
TRADING BAY	Oil & Gas	Cook Inlet, west side, offshore	6/17/65 Unocal	prod. began 1967
TYONEK DEEP = SUNFISH	Oil & Gas	Cook Inlet, mid channel, offshore	11/5/91 Phillips	undeveloped
UGNU	Oil	North Slope, central, onshore	8/9/89 Arco	undeveloped
UMIAT	Oil	North Slope, foothills, onshore	7/29/50 U.S. Dept Interior	undeveloped
WALAKPA	Gas	North Slope, western, onshore	2/7/80 NS Barough	prod. began 1992
WEST BEACH	Oil & Gas	North Slope, central, onshore	7/22/78 Arco	prod. began 1994
WEST FORELAND	Gas	Cook Inlet, west side, onshore	3/29/82 Phillips	shut-in 1962
WEST FORK	Gas	Cook Inlet, east side, onshore	9/26/80 CIRI	prod. began 1978
WEST MCARTHUR RIVER	Oil & Gas	Cook Inlet, west side, onshore	12/2/91 Forcenergy	prod. began 1994 100%
WEST SAK	Oil	North Slope, central, onshore	8/9/89 Arco	undeveloped
WOLF CREEK	Gas	North Slope, NPRA, onshore	6/4/51	undeveloped

Revised 3/10/98

* Small portions of these fields would be included.

**STATE OF ALASKA
FIVE-YEAR OIL AND GAS LEASING PROGRAM
1999 TO 2003**

1999 Sales

North Slope Areawide 1999	February
*Cook Inlet Areawide 1999	April
*Beaufort Sea Areawide 1999	October

2000 Sales

North Slope Areawide 2000	February
Beaufort Sea Areawide 2000	May
Cook Inlet Areawide 2000	August

2001 Sales

North Slope Areawide 2001	February
*NS Foothills Areawide 2001	April
Beaufort Sea Areawide 2001	May
Cook Inlet Areawide 2001	August

2002 Sales

North Slope Areawide 2002	February
Beaufort Sea Areawide 2002	May
Cook Inlet Areawide 2002	August

2003 Sales

North Slope Areawide 2003	February
Beaufort Sea Areawide 2003	May
Cook Inlet Areawide 2003	August

* Requires a Best Interest Finding

The sales scheduled for 2002 and 2003 are new to the Five-Year Oil and Gas Leasing Program. All other sales were proposed in the 1997 Five-Year Program. DNR has announced its decision to proceed with two sales – North Slope Areawide 1999 and Cook Inlet Areawide 1999. As for the rest of the schedule, if the decision is to proceed with a sale, a Sale Announcement, including the sale terms, bidding method, tract map, and mitigation measures will be issued 90 days prior to that sale. If a best interest finding or a supplement to a previous finding is required, it will be released at the same time as the Sale Announcement.

Summary

Prepared by C. Poulos; DNR, SSD, FSS-Anchorage
2/18/99

Calculation of the amount the PF would have received if all distributions were 25%.

	Transfers to PF		Additional Due Transactions	=	25% distribution to PF
FY90	\$270,236,651.14	-	\$4,217,045.54	=	\$266,019,605.60
FY91	447,694,592.87	-	8,368,975.31	=	439,325,617.6
FY92	318,971,140.31	-	7,390,570.50	=	311,580,569.8
FY93	282,799,605.82	-	6,608,482.69	=	276,191,123.1
FY94	211,324,505.64	-	4,531,341.61	=	206,793,164.0
FY95	278,367,321.07	-	5,287,842.48	=	273,079,478.6
FY96	254,298,653.60	-	9,086,004.67	=	245,212,648.9
FY97	320,648,410.01	-	19,712,887.29	=	300,935,522.7
FY98	248,017,152.43	-	15,396,645.13	=	232,620,507.3
	<u>\$2,632,358,032.89</u>	-	<u>\$80,599,795.22</u>	=	<u>\$2,551,758,237.67</u>

Transfers to PF = all revenues transferred to the Permanent Fund

Additional Due = the additional 25% due the Permanent Fund on 50% distribution revenues

hello.....

Subject: hello.....

Date: Thu, 18 Feb 1999 13:04:51 -0500

From: john <jgensel@alaska.net>

To: Representative_Norman_Rokeberg@Legis.state.ak.us

I agree with your HB 96..... good idea.

Also please make sure the personal income tax bill 91 gets stopped.
Its a totally unfair bill taxing the hard working citizens of Alaska.

At the very least a cap should be put on State Income tax (no one
pays more than annual Perm fund dividend).... and everyone should pay
something.

My ideas.... #1. Use perm fund to help operate State

#2. Use perm fund to help operate State.....

thanks..... john

John Gensel
125 East Redoubt Avenue
Soldotna, Alaska 99669

Rokeberg bill would boost state take of money from new oil leases

By SVEND HOLST

THE JUNEAU EMPIRE

Another plan is on the table to fill part of the gap between state spending and revenue.

Rep. Norman Rokeberg, an Anchorage Republican, introduced a bill Wednesday that would add some funds to state coffers by reducing the amount of oil lease money that flows into the Alaska Permanent Fund from new developments.

Juneau 2/18/97
Today, under a statute enacted in 1980, 50 percent of the state's mineral income - including leases, royalties, royalty sale proceeds and other such income - is funneled into the permanent fund.

Rokeberg's bill would lower that to 25 percent for any royalty money coming from new leases and the like initiated after July of this year. That's the level mandated by the Alaska constitution.

The change wouldn't raise

enough cash to fill the fiscal gap, Rokeberg said, but it's something worth talking about because it would increase state revenue.

If the Legislature's estimates of oil price and production are accurate, the changes House Bill 96 would make would add \$9.5 million to the state's general fund for the 2000 budget year, he said. Over 15 years, he said, the average would be about \$16 million per year.

"It's a relatively small amount,

but every dollar helps," Rokeberg said. "Any dollar we get by this method, we don't have to raise with taxes."

Bob King, press secretary for Democratic Gov. Tony Knowles, said today that the governor's staff hadn't had time to review the measure.

The bill is slated for review by two House committees - State Affairs and Finance.

ALASKA STATE LEGISLATURE

House of Representatives

COMMITTEE ASSIGNMENTS:

LABOR & COMMERCE COMMITTEE, CHAIRMAN
JUDICIARY COMMITTEE, MEMBER
LEGISLATIVE COUNCIL, MEMBER
SPECIAL COMMITTEE ON UTILITY RESTRUCTURING, MEMBER
SPECIAL COMMITTEE ON ECONOMIC DEVELOPMENT &
TOURISM, MEMBER



e-mail: Representative_Norman_Rokeberg@legis.state.ak.us

INTERIM:
716 WEST 4TH AVENUE, SUITE 640
ANCHORAGE, AK 99501
PHONE: (907) 269-0117
FAX: (907) 269-0119

SESSION:
ALASKA STATE CAPITOL
JUNEAU, AK 99801-1182
PHONE: (907) 465-4968
FAX: (907) 465-2040

Representative Norman Rokeberg

MEMORANDUM

TO: Representative Jeannette James, Chair
House State Affairs Committee

FROM: Representative Norman Rokeberg

DATE: March 12, 1999

RE: Hearing Request

A handwritten signature in black ink, appearing to read "Norman Rokeberg".

I am requesting that Sponsor Substitute for House Bill 96 (an act relating to deposits to the Alaska permanent fund; and providing for an effective date) be heard before the State Affairs Committee.

I am submitting the following:

1. Copy of SSHB 96
2. Sponsor statement
3. Sectional analysis

Bill packet information, including a list of witnesses, is forthcoming. I am requesting that the hearing be teleconferenced at a minimum, to Anchorage.

If you have any questions, please contact me or Tracey Zahradka in my office.



Alaska Permanent Fund Corporation
P.O. Box 25500 Juneau, Alaska 99802-5500
(907) 465-2047

MEMORANDUM

DATE: March 22, 1999
TO: Representative Norman Rokeberg
FROM: Jim Kelly, ^{JK} Director of Communications
SUBJECT: **Impact of HB 96 on Per Capita Dividends**

You have asked about the impact of your proposed bill, House Bill 96, on per capita dividends over the next five years, both compared to the status quo and assuming passage of a one-time \$4 billion transfer from the Fund's earnings reserve account to the CBRF per the Governor's proposal. Based on our financial analysis, the impact would be less than \$10 difference over the five years in either case.

cc: Executive Director
Board of Trustees
Governor's Legislative Liaison

ALASKA STATE LEGISLATURE

House of Representatives

COMMITTEE ASSIGNMENTS

LABOR & COMMERCE COMMITTEE, CHAIRMAN
JUDICIARY COMMITTEE, MEMBER
LEGISLATIVE COUNCIL, MEMBER
SPECIAL COMMITTEE ON UTILITY RESTRUCTURING, MEMBER
SPECIAL COMMITTEE ON ECONOMIC DEVELOPMENT &
TOURISM, MEMBER



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716 WEST 4TH AVENUE, SUITE 640
ANCHORAGE, AK 99501
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FAX: (907) 269-0119

SESSION
ALASKA STATE CAPITOL
JUNEAU, AK 99801-1182
PHONE: (907) 465-4968
FAX: (907) 465-2040

e-mail: Representative_Norman_Rokeberg@legis.state.ak.us

Representative Norman Rokeberg

PRELIMINARY RESULTS FROM THE ROKEBERG LEGISLATIVE QUESTIONNAIRE
1999 - 4,157 mailed; 253 returned or 6.08%. Questions 15 and 19.

15. In addition to the items in #9 above, please let me know if you generally favor or oppose the following as ways to address the fiscal gap:
- | | |
|---|------------------------------|
| a. Establish a state sales tax | Yes <u>114</u> No <u>123</u> |
| b. Re-establish a school tax | Yes <u>83</u> No <u>140</u> |
| c. Increase alcohol taxes | Yes <u>156</u> No <u>88</u> |
| d. Raise user fees and index fees to inflation | Yes <u>138</u> No <u>89</u> |
| e. Increase fishery, timber and mining taxes | Yes <u>102</u> No <u>129</u> |
| f. Establish new taxes on the tourism industry | Yes <u>144</u> No <u>91</u> |
| g. Increase oil and gas taxes | Yes <u>97</u> No <u>140</u> |
| h. Establish a seasonal sales tax | Yes <u>106</u> No <u>128</u> |
| i. Use a portion of the Permanent Fund earnings reserve to fund government operations | Yes <u>110</u> No <u>130</u> |
19. Alaska's Constitution mandates that 25% of oil and mineral leases, royalties and bonuses are deposited into the principal of the Permanent Fund. In 1980, the Legislature increased that to 50% of all new leases. If we repealed this law and went back to the original 25%, an extra \$12 million a year would be generated to help close the fiscal gap. Do you support changing the law back to the Constitution's 25%? Yes 164 No 72

FISCAL NOTE

STATE OF ALASKA
1999 LEGISLATIVE SESSION

BILL NO. SSHB96

Revision Date: 25-Mar-99 Dept Affected: Natural Resources
 Title: An Act relating to deposits to the Alaska permanent fund. BRU: Management & Administration
 Component: Commissioner's Office
 Sponsor: Rep. Rokeberg
 Requestor: (H) STA Component Serial No. #423

Expenditures/Revenues (Inflation not included unless otherwise noted below) (Thousands of Dollars)

OPERATING EXPENDITURES	FY2000	FY2001	FY2002	FY2003	FY2004	FY2005
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0

CAPITAL EXPENDITURES	0.0	0.0	0.0	0.0	0.0	0.0
-----------------------------	------------	------------	------------	------------	------------	------------

CHANGE IN REVENUES (fund code) * see analysis section for estimate of revenue changes.

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY99) cost: \$ none

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)

The intent of the Bill is to reduce all existing lease bonus, rent and royalty payments to the permanent fund currently being paid at the 50% level to 25% after July 1, 1999. In addition, payments to the permanent fund from any future oil and gas leases would be set at the 25% level instead of the 50% level. In FY 99, from existing leases DNR expects to allocate to the permanent fund approximately \$9,900.0 in royalty revenues, \$1,200.0 in rental revenues, and \$375.0 from 6(i) mining leases that are attributable to the extra 25% payment requirement in current law (total \$11,475.0). One time lease bonus payments of \$10,000.0 attributable to the extra 25% payment requirement also were allocated to the permanent fund in FY 99. Depending on the effective date of the legislation, there could be some FY 99 revenue switched from the Permanent Fund to the General Fund. DNR has not projected that amount. Nor has DNR tried to estimate the future bonus, rent and royalty revenue from yet to be issued leases that would be effected by this Bill. For the fiscal note we have assumed constant future royalty and rental income just from existing leases and have excluded all possible future payments from yet to be issued leases.

Prepared by: Ken Boyd, Director Phone: 269-8800
 Division: Oil & Gas Date: 25-Mar-99
 Approved by Commissioner: [Signature] Date: 3-25-99
 Agency: Natural Resources

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FISCAL NOTE

STATE OF ALASKA
1999 LEGISLATIVE SESSION

BILL NO. SSHB96

Revision Date: _____ Dept Affected: Natural Resources
 Title: An Act relating to deposits to the Alaska BRU: Oil & Gas Development
 permanent fund. Component: Oil & Gas Development
 Sponsor: Rep. Rokeberg
 Requestor: (H) STA Component Serial No. #439

Expenditures/Revenues (Inflation not included unless otherwise noted below) (Thousands of Dollars)

OPERATING EXPENDITURES	FY2000	FY2001	FY2002	FY2003	FY2004	FY2005
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0

CAPITAL EXPENDITURES	0.0	0.0	0.0	0.0	0.0	0.0
-----------------------------	------------	------------	------------	------------	------------	------------

CHANGE IN REVENUES (fund code) * see analysis section for estimate of revenue changes.

FUND SOURCE (Thousands of Dollars)

FUND SOURCE	FY2000	FY2001	FY2002	FY2003	FY2004	FY2005
1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY99) cost: \$ none

POSITIONS

POSITIONS	FY2000	FY2001	FY2002	FY2003	FY2004	FY2005
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)
 The intent of the Bill is to reduce all existing lease bonus, rent and royalty payments to the permanent fund currently being paid at the 50% level to 25% after July 1, 1999. In addition, payments to the permanent fund from any future oil and gas leases would be set at the 25% level instead of the 50% level. In FY 99, from existing leases DNR expects to allocate to the permanent fund approximately \$9,900.0 in royalty revenues and 1,200.0 in rental revenues that are attributable to the extra 25% payment requirement in current law. One time lease bonus payments of \$10,000.0 attributable to the extra 25% payment requirement also were allocated to the permanent fund in FY 99. Depending on the effective date of the legislation, there could be some FY 99 revenue switched from the Permanent Fund to the General Fund. DNR has not projected that amount. Nor has DNR tried to estimate the future bonus, rent and royalty revenue from yet to be issued leases that would be effected by this Bill. For the fiscal note we have assumed constant future royalty and rental income just from existing leases and have excluded all possible future payments from yet to be issued leases.

Prepared by: Ken Boyd, Director *[Signature]* Phone: 269-8800
 Division: Oil & Gas Date: 24-Mar-99
 Approved by Commissioner: *[Signature]* Date: 3-24-99
 Agency: Natural Resources

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FISCAL NOTE

STATE OF ALASKA
1999 LEGISLATIVE SESSION

BILL NO. SS HB 96

Revision Date/Time (Note if correction) 3/22/99 Dept. Affected Revenue
 Title Deposits to the Permanent Fund BRU Revenue Operations
 Component _____
 Sponsor Rokeberg
 Requester House State Affairs Component Serial No. _____

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

OPERATING EXPENDITURES	FY 2000	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005
Personal Services						
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0

CAPITAL EXPENDITURES						
-----------------------------	--	--	--	--	--	--

CHANGE IN REVENUES ()						
-------------------------------	--	--	--	--	--	--

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type)						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of current year (FY99) cost: 0.0

POSITIONS

Full-time	0	0	0	0	0	0
Part-time						
Temporary						

ANALYSIS: *No fiscal impact.*

Prepared by Peter A. Bushre
 Division Alaska Permanent Fund Corporation
 Approved by Wilson L. Condon
 Commissioner
 Agency Department of Revenue

Phone 465-2301
 Date/Time 03/22/99
 Date 3/20/99

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Re: fiscal notes

Subject: Re: fiscal notes
Date: Thu, 18 Mar 1999 13:42:10 -0900
From: Shari Kochman <shari_kochman@gov.state.ak.us>
Organization: Alaska Office of the Governor
To: Barbara Cotting <Barbara_Cotting@legis.state.ak.us>

requests are in
thanks.

Barbara Cotting wrote:

- >
- > *I have scheduled the following bills for hearing in House State Affairs*
- > *on March 23 and need fiscal notes:*
- >
- > *HB 96, Deposits to the Permanent Fund (Revenue)*
- > *HB 132, Permanent Fund Allowable Absences (Revenue)*

HB

112

STATE OF ALASKA
HOUSE OF REPRESENTATIVES

Representative Jeannette James



P.O. Box 56622
North Pole, AK 99705
TEL 488-1546, FAX 488-4271

State Capitol
Juneau, AK 99801
TEL 465-3743, FAX 465-2381

SPONSOR STATEMENT

House Bill 112 "Establish Alaska Building Fund"

2/26/99

Alaska has an enormous problem with maintenance of its public facilities. Funds are not allocated for on-going maintenance, so we are forced to continually repair and replace our existing facilities at great expense.

House Bill 112 would establish the Alaska public building fund as a special account in the general fund. It would also create an agreement whereby the occupants of state-owned buildings would pay "rent" into this fund. The money collected could be appropriated by the Legislature to pay use, management, operation, maintenance, and depreciation costs.

HOUSE COMMITTEE REPORT

7)
Date Referred to Committee: February 24, 1999

FURTHER REFERRALS:

Finance

Date of Committee Action: 3/9/99

The STATE AFFAIRS Committee considered:

HB 112

HOUSE BILL NO. 112

ESTABLISH ALASKA PUBLIC BUILDING FUND

'An Act establishing the Alaska public building fund; and providing for an effective date.'

recommends it be replaced with the following committee substitute _____ the same title a new title

additional referral to _____ Committee
 attached amendment(s)

ADOPTS: _____ Letter of Intent

ATTACHES NEW FISCAL NOTE(S): (Dept)

APPROVES PREVIOUS: (Dept/Date)

fiscal note(s) _____

fiscal note(s) _____

zero fiscal note(s) GEV

zero fiscal note(s) _____

SIGNING WITH RECOMMENDATIONS	DP	DNP	NR	AM
<i>Hal Smalley</i>			X	
<i>Ben Gustafson</i>			X	
<i>Jeannette Jones</i>	X			
<i>John...</i>			X	
<i>[Signature]</i>	X			

CHAIR'S SIGNATURE: *Jeannette Jones*

FISCAL NOTE

STATE OF ALASKA
1999 LEGISLATIVE SESSION

BILL NO. HB 112

Revision Date/Time (Note if correction) _____ Dept. Affected All state agencies
 Title An Act establishing the Alaska Public BRU _____
Building Fund Component _____
 Sponsor Representative James
 Requester House State Affairs Committee Component Serial No. _____

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

OPERATING EXPENDITURES	FY 2000	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005
Personal Services						
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0

CAPITAL EXPENDITURES						
-----------------------------	--	--	--	--	--	--

CHANGE IN REVENUES ()						
-------------------------------	--	--	--	--	--	--

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type)						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY99) cost: 0.0

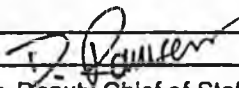
POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

This bill would establish a fund for the deposit of state facility rent payments, and for appropriations from the fund for maintaining these facilities.

Establishing the fund would not in itself have a direct fiscal impact on any state agency. However, the purpose of the fund and the related facilities rent structure is to improve the management and maintenance of state facilities. Improved management and maintenance will reduce overall facilities costs over the long term. Although these cost reductions may be substantial, there are many variables involved and the cost reductions cannot be accurately projected at this time.

Prepared by Annalee McConnell, Director Phone 465-4660
 Division Office of Management and Budget  Date/Time 3/8/99 8:46 AM
 Approved by Commissioner David Ramseur, Deputy Chief of Staff Date _____
 Agency Office of the Governor

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Re: (no subject)

Subject: Re: (no subject)

Date: Thu, 04 Mar 1999 13:29:46 -0900

From: Shari Kochman <shari_kochman@gov.state.ak.us>

Organization: Alaska Office of the Governor

To: Barbara Cotting <Barbara_Cotting@legis.state.ak.us>

requests are in
hb 112 should have a consolidated note from omb
not sure yet who will be doing notes on hb 122.
thanks.

Barbara Cotting wrote:

- >
- > I have scheduled the following bills for hearing in House State Affairs
- > Tuesday, March 11, and need fiscal notes:
- >
- > HB 112, Establish Alaska Public Building
- > HB 122, State ownership of Office Buildings
- >
- > Departments affected could be Admin, Revenue, DOT.

*Not received
3/8/99*

HB

122

STATE OF ALASKA
HOUSE OF REPRESENTATIVES

Representative Jeannette James



P.O. Box 5662
North Pole, AK 99705
TEL 488-1546, FAX 488-4271

State Capitol
Juneau, AK 99801
TEL 465-3743, FAX 465-2381

SPONSOR STATEMENT

House Bill 122 "State Ownership of Office Buildings"

3/5/99

The number one goal of this bill is for Alaska to maintain its public facilities! It's time we stopped being embarrassed by deteriorating, decaying, dilapidated buildings.

This bill is actually "Plan B." I would prefer the approach in my HB 112 which would establish the Alaska public building fund as a special account in the general fund and create an agreement whereby the occupants of state-owned buildings would pay "rent" into this fund to help pay maintenance costs. If HB 112 doesn't pass, I would like to see HB 122 instigated.

HB 122 would require the State to sell its office buildings and "rent" them back where needed, thus putting these buildings back on local tax rolls and saving the State the expense of maintaining them.

Either of these bills would fulfill my goal: If Alaska can't maintain its public buildings, we should sell them. If we own them, we should maintain them. It's time we quit embarrassing ourselves by trying to have it both ways.

HOUSE COMMITTEE REPORT

(7) [REDACTED]
 Date Referred to Committee: March 3, 1999

FURTHER REFERRALS:

Fi

Date of Committee Action: 3/9/99

122

The STATE AFFAIRS Committee considered:

HOUSE BILL NO. 122

STATE OWNERSHIP OF OFFICE BUILDING

"An Act excluding buildings used primarily for office space from the Housing Project and Public Building Assistance Act, restricting state ownership of buildings used primarily for office space, and providing for the disposal of ownership interests in certain state buildings used primarily for office space; and providing for an effective date

recommends it be replaced [] the same title
 with the following committee substitute [] a new title

[] additional referral to _____ Committee

[] attached amendment(s)

ADOPTS: _____ Letter of Intent

ATTACHES NEW FISCAL NOTE(S): (Dept) _____

APPROVES PREVIOUS: (Dep/Date) _____

[x] fiscal note(s) GOV

[] fiscal note(s) _____

[] zero fiscal note(s) _____

[] zero fiscal note(s) _____

SIGNING WITH RECOMMENDATIONS	DP	DNP	NR	AM
<i>Hal Smalley</i>			X	
<i>Bern Berthel</i>		X		
<i>Jeannette James</i>			X	
<i>John E. ...</i>			X	
<i>M.A. ...</i>	X			

CHAIR'S SIGNATURE *Jeannette James*

HASTINGS, MN

FISCAL NOTE

STATE OF ALASKA
1999 LEGISLATIVE SESSION

BILL NO. HB 122

Revision Date/Time (Note if correction) _____ Dept. Affected All state agencies
 Title An Act restricting state ownership of buildings BRU _____
 Component _____
 Sponsor Representative James
 Requester House State Affairs Committee Component Serial No. _____

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

OPERATING EXPENDITURES	FY 2000	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005
Personal Services						
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	*****	*****	*****	*****	*****	*****

CAPITAL EXPENDITURES						
-----------------------------	--	--	--	--	--	--

CHANGE IN REVENUES ()						
-------------------------------	--	--	--	--	--	--

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type)						
TOTAL	*****	*****	*****	*****	*****	*****

Estimate of any current year (FY99) cost: 0.0

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

This bill would restrict the state from owning office buildings and would require the state to sell the office buildings it currently owns, with certain exemptions.

The fiscal impacts of this legislation are difficult to project with any degree of accuracy, which is why asterisks are shown above. However, it is very likely that the net impact of this legislation would be to substantially increase the cost of providing office space for state programs which are currently located in state owned buildings. The money gained by the state from selling its office buildings would almost certainly be outweighed by the higher cost of leasing office space from the private sector.

Prepared by Annalee McConnell, Director Phone 465-4660
 Division Office of Management and Budget Date/Time 3/8/99 8:37 AM
 Approved by Commissioner David Ramseur, Deputy Chief of Staff Date _____
 Agency Office of the Governor

PREPARER TO PROVIDE ALL DISTRIBUTION COPIES TO GOVERNOR'S LEGISLATIVE OFFICE

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Re: (no subject)

Subject: Re: (no subject)

Date: Thu, 04 Mar 1999 13:29:46 -0900

From: Shari Kochman <shari_kochman@gov.state.ak.us>

Organization: Alaska Office of the Governor

To: Barbara Cotting <Barbara_Cotting@legis.state.ak.us>

requests are in
hb 112 should have a consolidated note from omb
not sure yet who will be doing notes on hb 122.
thanks.

Barbara Cotting wrote:

- >
- > I have scheduled the following bills for hearing in House State Affairs
- > Tuesday, March 11, and need fiscal notes:
- >
- > HB 112, Establish Alaska Public Building
- > HB 122, State ownership of Office Buildings
- >
- > Departments affected could be Admin, Revenue, DOT.

*Not received
3/8/99*

HB

132

HOUSE COMMITTEE REPORT

(7)

Date Referred to Committee: March 11, 1999

FURTHER REFERRALS:

Finance

Date of Committee Action: 4/27/99

The STATE AFFAIRS Committee considered:

HB 132

HOUSE BILL NO. 132

PERMANENT FUND ALLOWABLE ABSENCES

"An Act relating to allowable absences from the state for purposes of eligibility for permanent fund dividends; and providing for an effective date."

recommends it be replaced with the following committee substitute CS HB 132 (STA) the same title a new title

additional referral to _____ Committee
 attached amendment(s)

ADOPTS: _____ Letter of Intent

ATTACHES NEW FISCAL NOTE(S): (Dept) _____ APPROVES PREVIOUS: (Dept/Date) _____

fiscal note(s) _____ fiscal note(s) _____
 zero fiscal note(s) REV zero fiscal note(s) _____

SIGNING WITH RECOMMENDATIONS	DP	DNP	NR	AM
<i>Jeanette James</i>	✓	✓		
<i>Chal Swallow</i>	✓	✓		
<i>Beth Kettlewell</i>	✓			
<i>John Colwell</i>			✓	
<i>Bill Hudson</i>				✓
<i>W. H. ...</i>				✓
<i>Scott Dgin</i>				✓

CHAIR'S SIGNATURE Jeanette James

*NOTE: This CS removes [serving in the Peace Corps] from line 24, page 2.

CS FOR HOUSE BILL NO. 132(STA)

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-FIRST LEGISLATURE - FIRST SESSION

BY THE HOUSE STATE AFFAIRS COMMITTEE

**Offered:
Referred:**

Sponsor(s): REPRESENTATIVE COWDERY BY REQUEST

A BILL

FOR AN ACT ENTITLED

1 "An Act relating to allowable absences from the state for purposes of eligibility
2 for permanent fund dividends; and providing for an effective date."

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

4 * Section 1. AS 43.23.008 is amended to read:

5 **Sec. 43.23.008. Allowable absences.** (a) Subject to (b) and (c) of this
6 section, an otherwise eligible individual who is absent from the state during the
7 qualifying year remains eligible for a current year permanent fund dividend if the
8 individual was absent

- 9 (1) receiving secondary or postsecondary education on a full-time basis;
- 10 (2) receiving vocational, professional, or other specific education on a
11 full-time basis for which, as determined by the Alaska Commission on Postsecondary
12 Education, a comparable program is not reasonably available in the state;
- 13 (3) serving on active duty as a member of the armed forces of the
14 United States;

1 (4) receiving continuous medical treatment recommended by a licensed
2 physician or convalescing as recommended by the physician that treated the illness if
3 the treatment or convalescence is not based on a need for climatic change;

4 (5) providing care for a parent, spouse, sibling, child, or stepchild with
5 a critical life-threatening illness whose treatment plan, as recommended by the
6 attending physician, requires travel outside the state for treatment at a medical
7 specialty complex;

8 (6) providing care for the individual's terminally ill parent, spouse,
9 sibling, child, or stepchild;

10 (7) settling the estate of the individual's deceased parent, spouse,
11 sibling, child, or stepchild, provided the absence does not exceed 220 cumulative days;

12 (8) serving as a member of the United States Congress;

13 (9) serving on the staff of a member from this state of the United States
14 Congress;

15 (10) serving as an employee of the state in a field office or other
16 location;

17 (11) accompanying a minor who is absent under (4) of this subsection;

18 (12) for employment if

19 (A) in addition to satisfying the residency requirements, the
20 individual is domiciled in the state; and

21 (B) the employer certifies in writing that the absence was a
22 condition of the employment and that the individual was required to work
23 in the state for part of the qualifying year;

24 (13) accompanying another eligible resident who is absent for a reason
25 permitted under this subsection as the spouse, minor dependent, or disabled dependent
26 of the eligible resident;

27 (14) [(13)] for any reason consistent with the individual's intent to
28 remain a state resident, provided the absence or cumulative absences do not exceed

29 (A) 180 days if the individual is not claiming an absence under
30 (1) - (13) [(1) - (12)] of this subsection;

31 (B) 120 days in addition to any absence or cumulative absences

1 individual would have been otherwise eligible for that dividend and applies for that dividend
2 before the end of the 2000 application period on the form prescribed by the Department of
3 Revenue for claiming the dividend under this section.

4 (c) For purposes of (a)(1)(A) of this section, "domiciled" means that the individual
5 has, in the state, a true and permanent home from which the individual has no present
6 intention of moving and to which the individual intends to return whenever the individual is
7 away.

8 * **Sec. 4.** Sections 1 and 2 of this Act take effect January 1, 2000.

9 * **Sec. 5.** Section 3 of this Act takes effect immediately under AS 01.10.070(c).

STATE OF ALASKA

DEPARTMENT OF REVENUE

OFFICE OF THE COMMISSIONER

TONY KNOWLES, GOVERNOR

P.O. BOX 110400
JUNEAU, ALASKA 99811-0400
TELEPHONE: (907) 465-2300
FACSIMILE: (907) 465-2389

March 1, 1999

Annette Deal
Office of Representative Cowdery
Room 204, Capitol Building
Juneau, Alaska 99801

Dear Ms. Deal,

As I told you when I last wrote, I asked our data processing staff to pull out all the information that we have on folks who are out of state more than 180 days for business or work reasons. The difficulty is that we do not ask for or receive the precise information you are looking for.

The data that we capture from applications tells us a limited number of things. It will, of course, tell us how many people were denied. It can then tell us of that number, how many were out of state for more than 180 days. And it can tell us, of those, which absence codes they checked. The data below represents people who were denied, and who checked at least one or the other of the absence reasons you asked about.

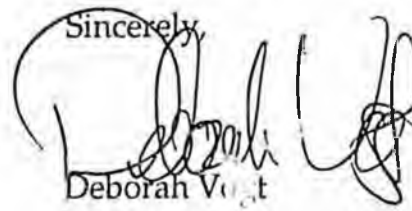
In the 1998 dividend year (which would be reviewing activities in calendar year 1997), 247 people were denied who told us they were outside the state more than 180 days under absence code J. That code (on the back of the application) reads "Seeking employment or employed for a reason other than B, C, E, F, G or H." Those letters refer to other absence codes such as student, military or Congressional service in which out-of-state employment is allowable. An individual who is working outside the state, whether or not for an Alaska business, may check this absence. As a result, it is not possible to distinguish between an individual whose Alaska employer sent her out of Alaska for several months and a person who simply leaves the state and goes outside for more than six months, and works while gone. We also don't know, without examining specific applications, the precise reason a person was denied. It might turn out that the employment was allowable, but that the person was otherwise ineligible. It also doesn't tell us if employment was the only reason the person was absent. The person might have been absent for three or four different reasons.

An additional 126 people told us that they were absent for this reason, but for more than 90 but less than 180 days. For your information, a person in this latter category would remain eligible if his Alaska employer sent him outside for a short time, but would be ineligible if he moved to Seattle and took a full time job, meaning to say permanently, even if he quit and came back in less than 180 days (or, as is more likely, he took the job less than 180 days before the end of the year). The data processing folks retrieved only those who were denied, but we don't know if they were denied for this or some other reason, or, again, if this was their only absence code.

The other absence code that may apply is K. It reads "Other reasons, including business." In 1998, 671 people who were denied checked this code as a reason they were out of state more than 180 days. An additional 84 denied individuals checked this code as a reason for total absences of more than 90 (but less than 180) days. A person whose Alaska employer sent him out of state, or an Alaskan running a business here, might check this absence instead of J if that business took him out of state. But, as you can see by the language, any other absence that is not otherwise listed goes in this category. There are dozens of "other" reasons people leave the state for extended periods. It is not possible, without reviewing hundreds of applications, to give more precise information. And again, an individual might check more than one absence code for a single absence - for example, business and vacation.

In short, most of the information that you specifically asked for just isn't available without reviewing individual applications, and even then applications will be ambiguous. When a person simply checks two codes for an absence (like business and vacation) we can't tell whether the business was 160 days and the vacation two weeks or vice versa. The absence is simply too long and the applicant is denied. For our purposes, both absences are unallowable if they exceed 180 days, so we don't need more precise information.

I'm sorry I can't do better answering your specific questions. Please give me a call if you have any other questions about how the program works or how it could be changed. Should your representative wish to draft legislation that would change the rules, I'd be happy to work with him. But now that the legislature removed the commissioner's discretion to adopt additional allowable absences, we can't change the list.

Sincerely,

Deborah Vest
Deputy Commissioner

From the office of . . . Representative John J. Cowdery

716 West 4th Avenue
Anchorage, AK 99501
907-465-3879 phone
907-465-2069 fax

MEMORANDUM

TO: Representative Jeannette James, Chair, House State Affairs Committee
FROM: Representative Cowdery *JJC*
DATE: March 15, 1999
RE: House Bill 132

Notes:

Please schedule House Bill 132 for a hearing in State Affairs Committee as the schedule allows.



REPRESENTATIVE SCOTT OGAN

Alaska State Legislature

House District 27 • Palmer • Greater Palmer • Sutton • Chickaloon • Sheep Mountain

MEMORANDUM

TO: Rep. James / Chair State Affairs

From: Rep. Ogan / Sub-Committee Chair

Date: April 11, 1999

Re: HB 132 changes

EPS for SO

*Ogan Chair
Coughlin & Smalley*

The State Affairs subcommittee has worked with the bill sponsor and the Department of Revenue in reviewing House Bill 132 and recommends the following via the attached Committee substitute.

1. Add a domicile requirement to those who would seek a dividend under the proposed employment exemption.
2. Add the current statutory definition of domicile as the true and permanent home of the individual to the definition section.
3. Remove the year 1997 from the retroactively clause.
4. Add a new, numbered exemption for those who serve in the Peace Corps

1-LS0202H
Cook
4/8/99

CS FOR HOUSE BILL NO. 132()
IN THE LEGISLATURE OF THE STATE OF ALASKA
TWENTY-FIRST LEGISLATURE - FIRST SESSION

BY

Offered:
Referred:

Sponsor(s): REPRESENTATIVE COWDERY BY REQUEST

A BILL

FOR AN ACT ENTITLED

1 "An Act relating to allowable absences from the state for purposes of eligibility
2 for permanent fund dividends; and providing for an effective date."

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

4 * Section 1. AS 43.23.008 is amended to read:

5 Sec. 43.23.008. Allowable absences. (a) Subject to (b) and (c) of this
6 section, an otherwise eligible individual who is absent from the state during the
7 qualifying year remains eligible for a current year permanent fund dividend if the
8 individual was absent

9 (1) receiving secondary or postsecondary education on a full-time basis;

10 (2) receiving vocational, professional, or other specific education on a
11 full-time basis for which, as determined by the Alaska Commission on Postsecondary
12 Education, a comparable program is not reasonably available in the state;

13 (3) serving on active duty as a member of the armed forces of the
14 United States;

1 (4) receiving continuous medical treatment recommended by a licensed
2 physician or convalescing as recommended by the physician that treated the illness if
3 the treatment or convalescence is not based on a need for climatic change;

4 (5) providing care for a parent, spouse, sibling, child, or stepchild with
5 a critical life-threatening illness whose treatment plan, as recommended by the
6 attending physician, requires travel outside the state for treatment at a medical
7 specialty complex;

8 (6) providing care for the individual's terminally ill parent, spouse,
9 sibling, child, or stepchild;

10 (7) settling the estate of the individual's deceased parent, spouse,
11 sibling, child, or stepchild, provided the absence does not exceed 220 cumulative days;

12 (8) serving as a member of the United States Congress;

13 (9) serving on the staff of a member from this state of the United States
14 Congress;

15 (10) serving as an employee of the state in a field office or other
16 location;

17 (11) accompanying a minor who is absent under (4) of this subsection;

18 (12) for employment if

19 (A) in addition to satisfying the residency requirements, the
20 individual is domiciled in the state; and

21 (B) the employer certifies in writing that the absence was a
22 condition of the employment and that the individual was required to work
23 in the state for part of the qualifying year;

24 (13) serving in the Peace Corps;

25 (14) accompanying another eligible resident who is absent for a reason
26 permitted under this subsection as the spouse, minor dependent, or disabled dependent
27 of the eligible resident;

28 (15) [(13)] for any reason consistent with the individual's intent to
29 remain a state resident, provided the absence or cumulative absences do not exceed

30 (A) 180 days if the individual is not claiming an absence under
31 (1) - (14) [(1) - (12)] of this subsection;

Rep - Smalley - ^{possibly Corp!}

re: HB 132 - his amend-
ment
probably won't go
anywhere -

will withdraw amendment

^{open} present CS - ^{it} would
be fine with him.

Families would
also qualify
under this
CS !! ??

ask Jeannette -

372

copy bill
"open corp"

1 (B) 120 days in addition to any absence or cumulative absences
2 claimed under (1) or (2) of this subsection if the individual is not claiming an
3 absence under (3) - (14) [(3) - (12)] of this subsection; or

4 (C) 45 days in addition to any absence or cumulative absences
5 claimed under (1) - (14) [(1) - (12)] of this subsection.

6 (b) An individual may not claim an allowable absence under (a)(1) - (14)
7 [(a)(1) - (12)] of this section unless the individual was a resident of the state for at
8 least six consecutive months immediately before leaving the state.

9 (c) An otherwise eligible individual who has been eligible for the immediately
10 preceding 10 dividends despite being absent from the state for more than 180 days in
11 each of the related 10 qualifying years is only eligible for the current year dividend
12 if the individual was absent 180 days or less during the qualifying year. This
13 subsection does not apply to an absence under (a)(8) or (9) of this section or to an
14 absence under (a)(14) [(a)(12)] of this section if the absence is to accompany an
15 individual who is absent under (a)(8) or (9) of this section.

16 * Sec. 2. AS 43.23.008 is amended by adding a new subsection to read:

17 (d) For purposes of (a)(12)(A) of this section, "domiciled" means that the
18 individual has, in the state, a true and permanent home from which the individual has
19 no present intention of moving and to which the individual intends to return whenever
20 the individual is away.

21 * Sec. 3. PERMANENT FUND DIVIDENDS FOR CERTAIN INDIVIDUALS. (a)
22 Notwithstanding other provisions of law, an individual is eligible for the 1998 or 1999
23 dividend if the individual did not receive the dividend because of absence from the state

24 (1) for employment and

25 (A) in addition to satisfying the residency requirements, the individual
26 is domiciled in the state; and

27 (B) the employer certifies in writing that the absence was a condition
28 of the employment and that the individual was required to work in the state for part
29 of the qualifying year; or

30 (2) while accompanying, as the spouse, minor dependent, or disabled
31 dependent, another person who is eligible for that dividend under this section.

1 (b) An individual is eligible for a 1998 or 1999 dividend under this section only if the
2 individual would have been otherwise eligible for that dividend and applies for that dividend
3 before the end of the 2000 application period on the form prescribed by the Department of
4 Revenue for claiming the dividend under this section.

5 (c) For purposes of (a)(1)(A) of this section, "domiciled" means that the individual
6 has, in the state, a true and permanent home from which the individual has no present
7 intention of moving and to which the individual intends to return whenever the individual is
8 away.

9 * Sec. 4. Sections 1 and 2 of this Act take effect January 1, 2000.

10 * Sec. 5. Section 3 of this Act takes effect immediately under AS 01.10.070(c).

STATE OF ALASKA

DEPARTMENT OF LAW

OFFICE OF THE ATTORNEY GENERAL

TONY KNOWLES, GOVERNOR

PLEASE REPLY TO:

1031 WEST 4TH AVENUE, SUITE 200
ANCHORAGE, ALASKA 99501-1994
PHONE: (907) 269-5100
FAX: (907) 276-3697

KEY BANK BUILDING
100 CUSHMAN ST., SUITE 400
FAIRBANKS, ALASKA 99701-4679
PHONE: (907) 451-2811
FAX: (907) 451-2846

P.O. BOX 110300-DIMOND COURT HOU
JUNEAU, ALASKA 99811-0300
PHONE: (907) 465-3600
FAX: (907) 465-6735

February 16, 1999

The Honorable John J. Cowdery
Alaska State Representative
Suite 416, State Capitol Bld..
Juneau, AK 99801

Dear Representative Cowdery:

You have asked that we comment on the propriety of the 180-day absence rule and the distinction in treatment between state employees and those in the private sector as regards allowable absence for eligibility for the Permanent Fund Dividend.

The 180-day rule, as you know, represents a liberalization over the 90-day absence as it was originally written. The Alaska Supreme Court held that it is a reasonable interpretation of the regulation to permit "absences that are not longer in duration than the time actually spent in Alaska." *State, Dep't of Revenue v. Gazaway*, 793 P.2d 1025, 1027 (Alaska 1990). The legislature endorsed that holding this last legislative session when it enacted HB 2, which brought the allowable absences entirely into statute in AS 43.23.008. Sec. 5, ch. 44 SLA 1998.

An employee of the state has a different relationship with the state than does a private sector employee. If the state moves an employee out of state, it does so for a reason that is beneficial to the state. It would make no sense to penalize the employee for providing that benefit. Additionally, an individual employed by the state is presumptively going to return to the state and remain. A private sector employee, on the other hand, provides no benefit to the state, and it cannot be determined what intent to return may be present. There is also the obvious difficulty of determining who in the private sector is out of state actually working. There may be employers who require their employees to work out of state for several years. Someone working at a location outside the state for

The Honorable John J. Cowdery

February 16, 1999

several years may never return. At what point would such a person's eligibility for a PFD end? It would be an immensely difficult a task to track all the people who are out-of-state working, and it would be virtually impossible to tell who of these people may be an otherwise eligible Alaskan.

As to the constitutionality of the distinction, we believe it would pass constitutional muster. It is decided law that a PFD is merely an economic interest, entitled only to the lowest scrutiny. *State v. Anthony*, 810 P.2d 155, 158 Alaska 1991). Under the sliding scale approach to deciding equal protection issues taken by the Alaska Supreme Court, the state is required only to show a rational basis for the distinction drawn. *State v. Erickson*, 574 P.2d 1, 11 (Alaska 1978). I believe the preceding paragraph lays out the basis for the distinction. Then, too, the legislature has ratified the commissioner's former regulation by putting it in statute, again at AS 43.23.008.

I hope this resolves your questions. If you have further questions, please don't hesitate to contact me.

Very truly yours,

BRUCE M. BOTELHO
ATTORNEY GENERAL

By: 
Vincent L. Usera
Assistant Attorney General

VLU:bm
cc: PFD Division



REPRESENTATIVE JOHN J. COWDERY

Sponsor Statement for House Bill 132

The issue is equity. A longtime Alaska resident and constituent of mine was required by his employer to work out-of-state for more than 180 days. His Permanent Fund Dividend was summarily denied for that year. During the appeal process, my constituent was informed that state employees are allowed to work outside the state for more than 180 days and still receive their dividend. Indeed, current laws governing dividends provide special treatment for state workers assigned to duties outside Alaska.

My office inquired into the rationale of this distinction. The Department of Law in a letter dated February 16, 1999 stated, in part, *"If the state moves an employee out of state it does so for a reason that is beneficial to the state... A private sector employee, on the other hand, provides no benefit to the state. . ."*

The Permanent Fund Dividend is derived from our natural resources. The Constitution of the State of Alaska endows the natural resources of the state equally to all residents, not to state employees first. We as a legislature are asked every year to spend millions of dollars to promote and develop a diversified, global private economy. While we encourage private business with one hand, we penalize those who are successful with the other. I firmly believe that the law of our land should reflect the equal value of private and public employees.

This legislation as drafted requires that the applicant meet the residency requirement, work in-state for at least part of the qualifying year, and must have their work-related absence certified, in writing, by their employer as being a condition of employment, i.e. not optional. In addition to criminal statutes that would apply to a fraudulent application, or statement by an employer, AS 43.23.035 already provides that a person making a false statement concerning a dividend application is liable to repay all dividends ever received and becomes ineligible for all future dividends. I believe these penalties are sufficient to prevent this new exemption from being disproportionately abused.

Bradley W. Esary
3920 Alitak Bay Circle
Anchorage, AK 99515

State Affairs Committee hearing on HB 132A.
Prepared Statement for a Conference Call.
March 23, 1999.

I would first like to say that I appreciate the opportunity of presenting my situation to the committee as it pertains to HB 132A.

I am an Alaska Resident. I came to Alaska in 1975 and moved my family to Alaska in June 1976. My intentions have always been to remain an Alaska resident and for the past 23 years I have maintained my only residency in Anchorage.

In 1997, due to a lose of contract on The North Slope, my employer of 18 years assigned me to temporary locations outside of Alaska on a day-off for each day-on basis. A schedule of the various locations and dates are attached. My job with Western Atlas was as a field engineer. As a field engineer, I would travel extensively from each of the various locations listed. At the completion of each assignment my employer would return me to my home in Anchorage.

Because of my work, I was astonished to learn that I would not receive a dividend. I was sent a copy of the statues that stated that unless I was a state worker I would not receive a dividend. I am appalled to know that I would be treated differently and to a lesser degree than a state employee. A change needs to be made in the statues that eliminates discrimination between state and non-state employees and I would appreciate the committee's help in this matter.

Again I would like to thank the committee for taking this time and appreciate the opportunity of presenting my case.

Respectfully,



Bradley W. Esary

1997 Work
Schedule

Schedule:

<u>Begin</u>	<u>End</u>	<u>#days</u>	<u>Assignments</u>
01/04/97	01/30/97	27	Canada
02/15/97	03/12/97	26	Canada
03/29/97	04/23/97	26	Canada
05/10/97	06/05/97	27	Canada
06/27/97	07/24/97	28	Canada
08/31/97	09/26/97	27	West Virginia
11/22/97	12/21/97	30	P.R. China
Total		191	

STATE OF ALASKA

DEPARTMENT OF REVENUE

OFFICE OF THE COMMISSIONER

TONY KNOWLES, GOVERNOR

PO BOX 110400
JUNEAU, ALASKA 99811-0400
TELEPHONE: (907) 465-2300
FACSIMILE: (907) 465-2389

March 1, 1999

Annette Deal
Office of Representative Cowdery
Room 204, Capitol Building
Juneau, Alaska 99801

Dear Ms. Deal,

As I told you when I last wrote, I asked our data processing staff to pull out all the information that we have on folks who are out of state more than 180 days for business or work reasons. The difficulty is that we do not ask for or receive the precise information you are looking for.

The data that we capture from applications tells us a limited number of things. It will, of course, tell us how many people were denied. It can then tell us of that number, how many were out of state for more than 180 days. And it can tell us, of those, which absence codes they checked. The data below represents people who were denied, and who checked at least one or the other of the absence reasons you asked about.

In the 1998 dividend year (which would be reviewing activities in calendar year 1997), 247 people were denied who told us they were outside the state more than 180 days under absence code J. That code (on the back of the application) reads "Seeking employment or employed for a reason other than B, C, E, F, G or H." Those letters refer to other absence codes such as student, military or Congressional service in which out-of-state employment is allowable. An individual who is working outside the state, whether or not for an Alaska business, may check this absence. As a result, it is not possible to distinguish between an individual whose Alaska employer sent her out of Alaska for several months and a person who simply leaves the state and goes outside for more than six months, and works while gone. We also don't know, without examining specific applications, the precise reason a person was denied. It might turn out that the employment was allowable, but that the person was otherwise ineligible. It also doesn't tell us if employment was the only reason the person was absent. The person might have been absent for three or four different reasons.