

ALASKA LEGISLATURE COMMITTEE FILES 2001-2002 8672

10412 HOUSE RULES

311

HB

2017

FISCAL NOTE

STATE OF ALASKA
2001 LEGISLATIVE SESSION

Fiscal Note Number: 1
 Bill Version: HB 207
 (H) Publish Date: 4/28/01

Revision Date/Time (Note if correction) _____ Dept. Affected _____
 Title Judicial District Lines BRU Alaska Court System
 Component Trial Courts
 Sponsor Representative Kapsner
 Requester House Judiciary Component No. 768

Expcnditures/Revenues (Thousands of Dollars)

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

OPERATING EXPENDITURES	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
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						
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CHANGE IN REVENUES ()						
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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 (FY2001) cost: 0.0

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)
 The court system does not anticipate any fiscal impact from the passage of HB 207.

Prepared by: Douglas Wooliver Phone 463-4750
 Division Alaska Court System Date/Time 4/19/01 3:30 p.m.
 Approved by: Stephanie Cole Date _____
 Agency Alaska Court System

For distribution information, call the Governor's Legislative Office

HB 207

Title change suggestion:

An act moving election district 24 as described in the Constitution of the State of Alaska at statehood from the second judicial district to the fourth judicial district and adding the Nabesna area to the third judicial district and removing it from the fourth judicial district.

Amendment # 1 → Adopted

HB 207

Title change suggestion:

- An act moving election district 24 as described in the Constitution of the State of Alaska at statehood from the second judicial district to the fourth judicial district and adding the Nabesna area to the third judicial district and removing it from the fourth judicial district.

WORK DRAFT

WORK DRAFT

WORK DRAFT

22-LS0518U
Luckhaupt
3/20/02

CS FOR HOUSE BILL NO. 207()

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-SECOND LEGISLATURE - SECOND SESSION

BY

**Offered:
Referred:**

Sponsor(s): REPRESENTATIVES KAPSNER, Foster

A BILL

FOR AN ACT ENTITLED

1 **"An Act relating to the boundaries of the judicial districts of the state."**

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

3 *** Section 1. AS 22.10.010 is amended to read:**

4 **Sec. 22.10.010. Establishment of superior court. There shall be one**
5 **superior court for the state. The court shall consist of four districts bounded as**
6 **follows:**

7 **First District: the area within election districts numbered one to six, both**
8 **inclusive, as those districts are described in art. XIV of the state constitution on**
9 **March 19, 1959;**

10 **Second District: the area within election districts numbered 21 to 23 [24], both**
11 **inclusive, and those areas of election districts 18 and 20 within the boundaries of the**
12 **North Slope Borough, as those districts are described in art. XIV of the state**
13 **constitution on March 19, 1959;**

14 **Third District: the area within election districts numbered seven to 15, both**
15 **inclusive, as those districts are described in art. XIV of the state constitution on**

WORK DRAFT

WORK DRAFT

22-LS0518U

1 March 19, 1959, and the portion of election district 19, as that district is described
 2 in art. XIV of the state constitution on March 19, 1959, that is in the Glennallen
 3 Venue District on March 1, 2002, described as follows: Beginning at a point on
 4 the divide between the watersheds of the Tanana River and the Copper River
 5 south of the headwaters of Totschunda Creek; thence southwesterly in a straight
 6 line first crossing the Nabesna River to Mt. Allen; thence meandering on the
 7 divide mountain peak to mountain peak to a point north of Regal Mountain on
 8 the divide separating the Nabesna Glacier from the Chisana Glacier; thence
 9 westerly and northwesterly along the divide between the watersheds of the
 10 Tanana River and Copper River as it meanders from mountain peak to mountain
 11 peak back to a point on the divide south of the headwaters of the Totschunda
 12 Creek, the place of the beginning; and

13 Fourth District: the area within election districts numbered 16, 17, and 24 [19],
 14 [AND] the areas of election districts numbered 18 and 20 not included in the second
 15 district, and the area of election district numbered 19 not included in the third
 16 district, as those districts are described in art. XIV of the state constitution on
 17 March 19, 1959.

18 * Sec. 2. The uncodified law of the State of Alaska is amended by adding a new section to
 19 read:

20 TRANSITION. (a) A district court judge, magistrate, clerk, or other employee of the
 21 Second Judicial District located within election district 24 on the day before the effective date
 22 of this Act shall, on the effective date of this Act, be a judge, magistrate, clerk, or employee of
 23 the Fourth Judicial District.

24 (b) A district court judge, magistrate, clerk, or other employee of the Fourth Judicial
 25 District located within the portion of election district 19 on the day before the effective date of
 26 this Act added to the Third Judicial District in sec. 1 of this Act shall, on the effective date of
 27 this Act, be a judge, magistrate, clerk, or employee of the Third Judicial District.

CS FOR HOUSE BILL NO. 207(RLS)

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-SECOND LEGISLATURE - SECOND SESSION

BY THE HOUSE RULES COMMITTEE

**Offered:
Referred:**

Sponsor(s): REPRESENTATIVES KAPSNER, Foster

A BILL

FOR AN ACT ENTITLED

1 **"An Act relating to the boundaries of the judicial districts of the state."**

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

3 *** Section 1.** AS 22.10.010 is amended to read:

4 **Sec. 22.10.010. Establishment of superior court.** There shall be one
5 superior court for the state. The court shall consist of four districts bounded as
6 follows:

7 **First District:** the area within election districts numbered one to six, both
8 inclusive, as those districts are described in art. XIV of the state constitution on
9 March 19, 1959;

10 **Second District:** the area within election districts numbered 21 to 23 [24], both
11 inclusive, and those areas of election districts 18 and 20 within the boundaries of the
12 North Slope Borough, as those districts are described in art. XIV of the state
13 constitution on March 19, 1959;

14 **Third District:** the area within election districts numbered seven to 15, both
15 inclusive, as those districts are described in art. XIV of the state constitution on

1 March 19, 1959, and the portion of election district 19, as that district is described
2 in art. XIV of the state constitution on March 19, 1959, described as follows:
3 Beginning at a point on the divide between the watersheds of the Tanana River
4 and the Copper River south of the headwaters of Totschunda Creek; thence
5 southwesterly in a straight line first crossing the Nabesna River to Mt. Allen;
6 thence meandering on the divide mountain peak to mountain peak to a point
7 north of Regal Mountain on the divide separating the Nabesna Glacier from the
8 Chisana Glacier; thence westerly and northwesterly along the divide between the
9 watersheds of the Tanana River and Copper River as it meanders from mountain
10 peak to mountain peak back to a point on the divide south of the headwaters of
11 the Totschunda Creek, the place of the beginning; and

12 Fourth District: the area within election districts numbered 16, 17, and 24 [19],
13 and the areas of election districts numbered 18 and 20 not included in the second
14 district, and the area of election district numbered 19 not included in the third
15 district, as those districts are described in art. XIV of the state constitution on
16 March 19, 1959.

17 * Sec. 2. The uncodified law of the State of Alaska is amended by adding a new section to
18 read:

19 TRANSITION. (a) A district court judge, magistrate, clerk, or other employee of the
20 Second Judicial District located within election district 24 on the day before the effective date
21 of this Act shall, on the effective date of this Act, be a judge, magistrate, clerk, or employee of
22 the Fourth Judicial District.

23 (b) A district court judge, magistrate, clerk, or other employee of the Fourth Judicial
24 District located within the portion of election district 19 on the day before the effective date of
25 this Act added to the Third Judicial District in sec. 1 of this Act shall, on the effective date of
26 this Act, be a judge, magistrate, clerk, or employee of the Third Judicial District.

Representative Mary Kapsner

State Capitol • Juneau, Alaska 99801-1182

Phone: (907) 465-4942 • Fax: (907) 465-4589

E-Mail: Representative_Mary_Kapsner@legis.state.ak.us

House District 39

Lower Kuskokwim and Upper Bristol Bay

Akiachak
Akiak
Aleknagik
Atmautluak
Bethel
Chefornak
Clarks Point
Dillingham
Eek
Ekuk
Ekwok
Goodnews Bay
Kasigluk
Kipnuk
Koliganek
Kongiganak
Kwethluk
Kwigillingok
Manokotak
Napakiak
Napaskiak
New Stuyahok
Nunapitchuk
Oscarville
Platinum
Portage Creek
Quinhagak
Togalak
Tuntutuliak
Twin Hills

HB 207 Realignment of Judicial Districts

Sponsor Statement

Judicial district boundaries were established at Statehood. They were based on the boundaries of the established election districts and reflected commerce and communication systems of the time. Since that time the state has been reapportioned numerous times, and development in the Lower Yukon has changed the region in substantial ways. The result for communities in the region serviced out of the Bethel Venue District is an arbitrary judicial district line that no longer conforms to social, political, and economic structure of the region.

HB 207 addresses the specific circumstance in which villages in the Lower Yukon find themselves aligned with the Second Judicial District but serviced out of the Bethel Venue within the Fourth Judicial District. The bill simply moves jurisdiction of those 13 villages into the Third Judicial District.

The movement provides a natural alignment with boundaries recognized under existing cultural and political divisions. The population of these communities is predominantly Yupik. The regional Native corporation is Calista, and most health and safety services are provided by the Association of Village Council Presidents and Yukon-Kuskokwim Health Corporation. Bethel is the transportation hub for communities in the Lower Yukon, and the alignment for the court system in servicing the Lower Yukon villages out of the Bethel court has been natural. The alternative, for citizens to be tried out of the Nome court, would require a complicated travel web from Nome to Anchorage to Bethel to the community, or visa versa.

An important additional benefit of moving the villages in this region into the Bethel Court venue is that citizens of these 13 communities would for the first time have the benefit of voting on the question of retention of the judges who preside over cases involving them. It speaks to one of the basic principles of our democracy, citizen participation in governmental processes.

A similar problem exists for residents of Nabesna, presently situated in the Fourth Judicial District but whose venue district is Glennallen, in the Third Judicial District. Over the interim the court system determined language to identify the appropriate new boundary line, and it is included in the proposed committee substitute.

Alaska Civil Liberties Union Foundation

An Affiliate of the American Civil Liberties Union

P. O. Box 201844, Anchorage, AK 99520-1844

Phone: (907) 258-0044 Fax: (907) 258-0288 Email: akclu@alaska.net

To: House Judiciary Committee
From: Jennifer Rudinger, Executive Director
Date: April 26, 2001

Statement in Support of House Bill 207

Dear Chairman Rokeberg and Honorable Members of the House Judiciary Committee:

Thank you very much for scheduling HB 207 ("An act relating to judicial districts of the state") for a hearing on Friday, April 27th. Unfortunately, I will be unavailable to testify on Friday, so I wish to make this statement in support of HB 207 available to the Committee. Here, in a nutshell, is why it is critical that HB 207 pass as quickly as possible:

THE PROBLEM:

Through two anomalies of boundary lines, the rights of some Alaskans to vote in judicial retention elections have been infringed. The two affected areas are the thirteen villages in the Wade Hampton Census Area (Lower Yukon) and a small area around Nabesna (north of the Wrangells). In these two areas of the state, residents are not permitted to vote for or against the retention of the superior and district court judges that serve them. In Wade Hampton, voters are given judicial retention ballots for judges serving in the Second Judicial District (Nome, Kotzebue, and Barrow). But the court venue district for the Wade Hampton villages is Bethel. That is, when Wade Hampton residents go to court they appear before Bethel judges, who only stand for retention on ballots in the Fourth Judicial District. Similarly, Nabesna is located in the Fourth Judicial District, but its venue district is Glennallen, which is in the Third Judicial District.

The problem is that in these two areas the Judicial District boundaries are not congruent with the court system's venue district boundaries; residents live in one judicial district and access the court system in another judicial district. Since superior and district court judges stand for retention only in the judicial district to which they were appointed, pursuant to Alaska Statutes 15.35.080 & .090, voters in Wade Hampton and Nabesna do not get to approve the judges that are assigned to interpret their legal rights.

THE CONSTITUTIONAL VIOLATION:

Residents of these two areas are the only voters in the state that are deprived of their right to vote for the retention of the judges who serve them. It is clear that the right to vote is fundamental. *Vogler v. Miller*, 651 P.2d 1, 3 (Alaska 1982). The Alaska Supreme Court has noted a significant constitutional interest in protecting "a voter's right to an equally geographically effective or powerful vote." *Kenai Peninsula Borough v. State*, 743 P.2d 1352, 1372 (Alaska 1987). The court stated that "it is implicit in our constitutional structure that similarly situated communities be treated in a similar

manner." Id. The current judicial retention balloting scheme clearly deprives the residents of Wade Hampton and Nabesna of their right to fair and effective voting. There is no legitimate justification for the disparate treatment of these Alaskans. Their voting rights have been deprived through historical anomalies of line drawing. Residents of the Wade Hampton villages have requested the assistance of the Legislature and the Alaska Civil Liberties Union in vindicating their voting rights. Their legal claim is absolute and would prevail in court, but HB 207 can fix the problem and avoid unnecessary litigation.

THE SOLUTION:

This problem is solved by making the judicial district boundaries conform to the court system's venue district boundaries. The venue districts are drawn based on important socio-economic considerations, including transportation and commerce routes. For example, the nearest supply center for the Wade Hampton area is Bethel, and for Nabesna, it is Glennallen. It is logical that these areas are served by the courts in their nearest hub cities, so the judicial venue district boundaries should remain unchanged. In contrast, the judicial district boundaries are historical rather than practical, created by Alaska Statute 22.10.010 by combining areas within election districts as they were described in art XIV of the state constitution on March 19, 1959. (These original, statehood, election districts are nothing like the legislative districts today, since they have been redrawn at least once every decade. The current legislative redistricting will similarly not affect the boundaries of the judicial districts, which remain fixed in AS 22.10.010.)

HOUSE BILL NO. 207:

This bill is a simple and elegant fix to the problem of the Wade Hampton area residents. As it happens, the Wade Hampton Census Area was election district 24 on March 19, 1959. So amending AS 22.10.010 to move election district 24 from the Second Judicial District to the Fourth Judicial District will solve the problem for these residents. Bethel is in the Fourth Judicial District, so henceforth the Wade Hampton villages would get ballots that include the Bethel judges that serve them. The current version of HB 207 does exactly this and no more. Since 99% of the affected voters live in Wade Hampton, this solution goes a long way toward correcting the constitutional problem. A complete fix, however, would also alter the boundary line of the Third Judicial District to include Nabesna. The court system should be able to provide language describing its venue district line in that area that could be used to make the boundary lines congruent around Nabesna as well. There has been one prior change to AS 22.10.010, in 1974, to conform the boundary of the Second Judicial District to that of the North Slope Borough, so altering judicial district lines is not unprecedented. Further, the 1974 amendment provides a model of how to impose another geographic description on the described election districts in AS 22.10.010 – a potential way to fix the problem of Nabesna. But since only three voters are registered in Nabesna, with perhaps a dozen more along the Nabesna Road within the Fourth Judicial District, this bill should be passed, even if it cannot easily be amended to help Nabesna.



alaska judicial council

1029 W. Third Avenue, Suite 201, Anchorage, Alaska 99501-1969 (907) 279-2526 FAX (907) 276-5046
<http://www.ajc.state.ak.us> E-Mail: postmaster@ajc.state.ak.us

EXECUTIVE DIRECTOR
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April 4, 2001

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CHAIR, EX OFFICIO
 Dana Fabe
 Chief Justice
 Supreme Court

Representative Mary Kapsner
 Representative Richard Foster
 State Capitol
 Juneau, AK 99801-1182

Dear Representatives Kapsner and Foster:

The Judicial Council unanimously voted last Thursday to endorse HB207 which corrects the judicial districting problem for several small communities for north of Bethel. Thanks for your attention to this issue. I would be happy to testify for the bill when it comes up.

Please feel free to give me a call if I can be of assistance.

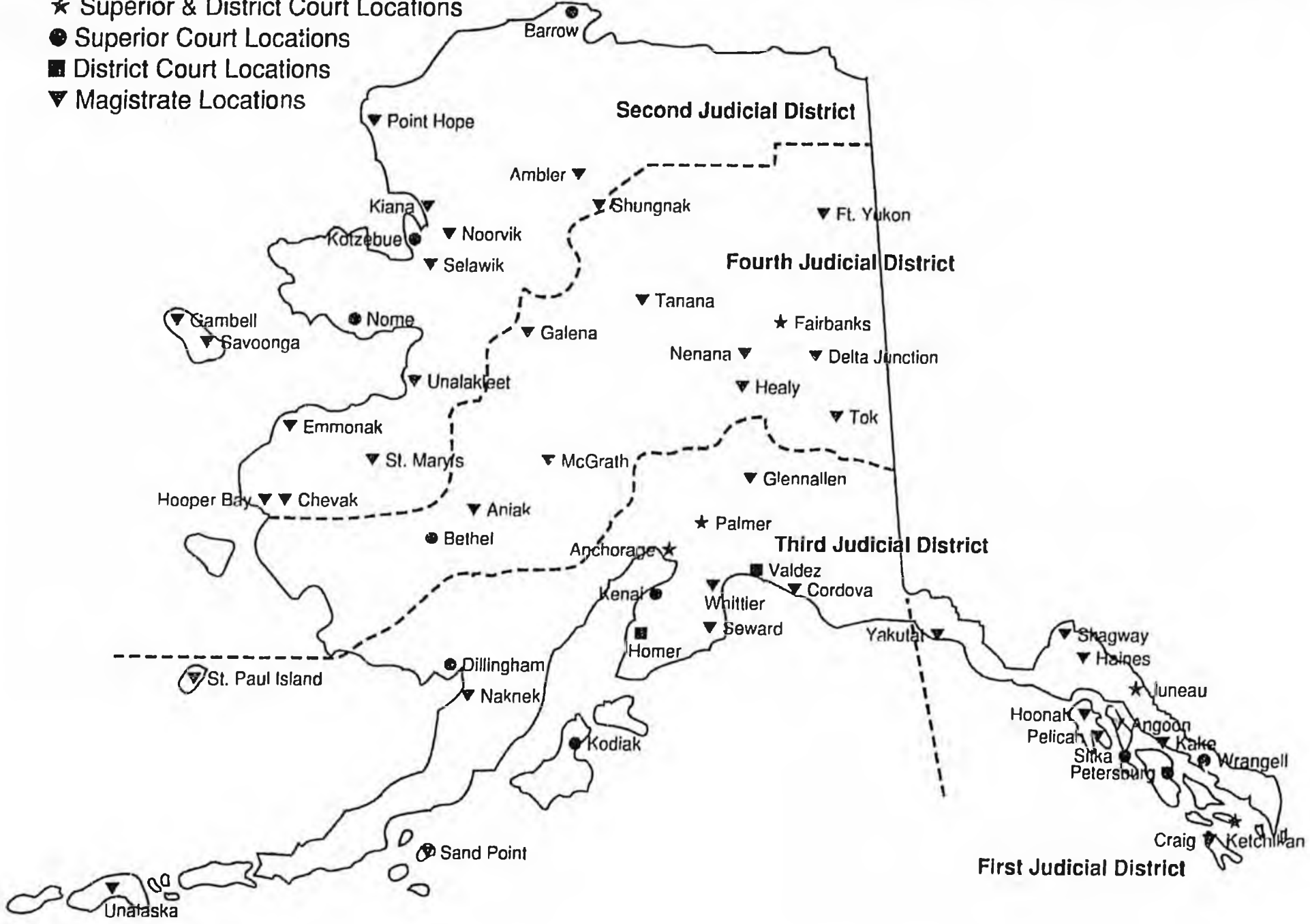
Sincerely,

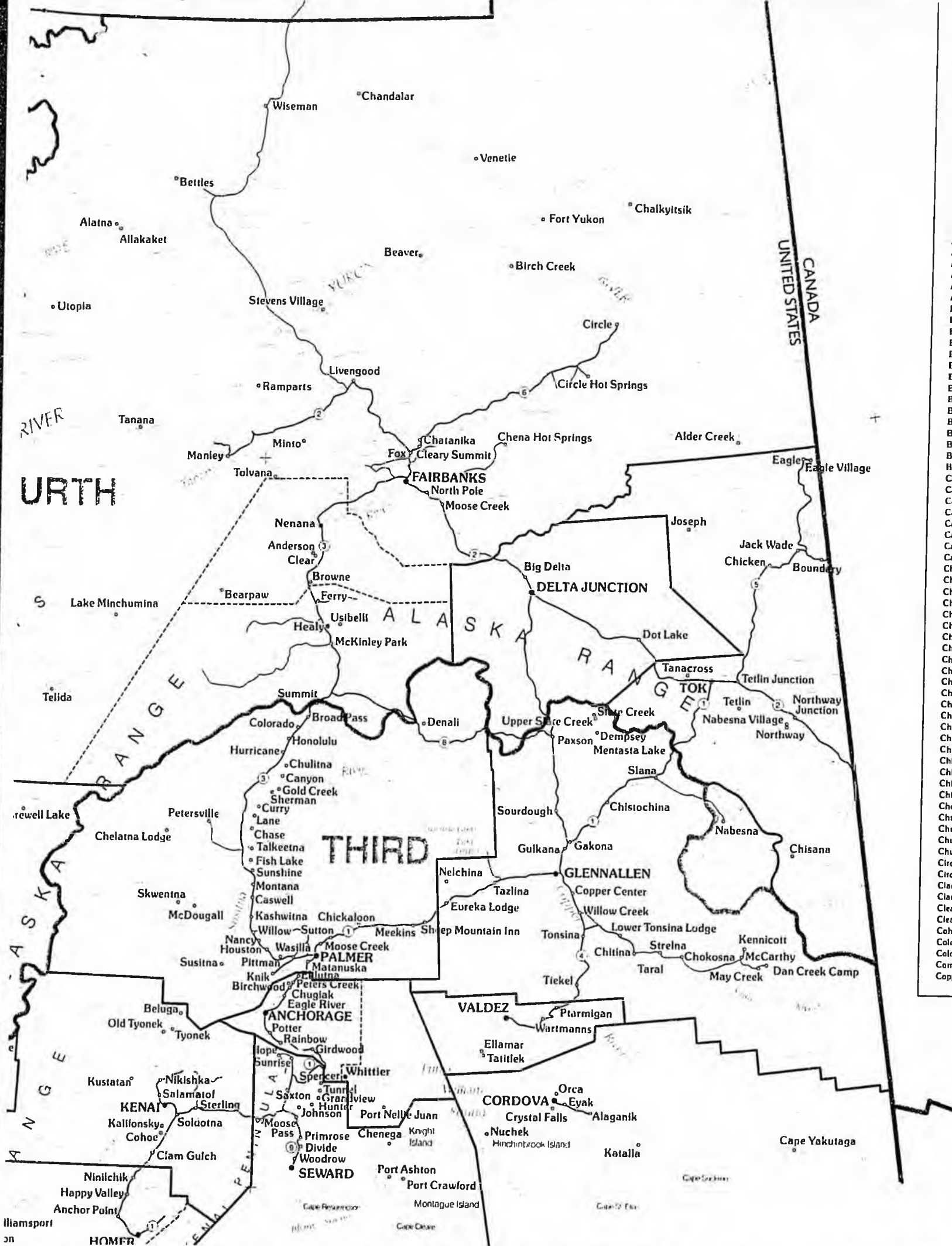
William T. Cotton
 Executive Director

WTC:gf

ALASKA COURT LOCATIONS

- ★ Superior & District Court Locations
- Superior Court Locations
- District Court Locations
- ▼ Magistrate Locations





- Com
- Akua
- Alaga
- Alaka
- Alatn
- Alder
- Alekn
- Allak
- Ambl
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- Anch
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- Ande
- Ango
- Aniak
- Arctic
- Atma
- Atqas
- Augus
- Auke I
- Ayaku
- Barro
- Bearp
- Beave
- Beluge
- Bethel
- Bettles
- Big Dr
- Birch I
- Birch
- Bound
- Brevig
- Broad
- Brook
- Brown
- Huckle
- Canyo
- Cape C
- Cape F
- Cape F
- Cape S
- Cape S
- Cape Y
- Caswe
- Chaku
- Chalky
- Chand
- Chank
- Chase
- Chara
- Chath
- Chelof
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- Chena
- Chene
- Cheval
- Chlchu
- Chicke
- Chicke
- Chigni
- Chilka
- Chison
- Chisto
- Chitlin
- Choko
- Chrom
- Chuail
- Chugli
- Chullit
- Circle
- Circle I
- Clam C
- Clark's
- Clear
- Cleary
- Cohor
- Cold B
- Colora
- Comel
- Copper

URTH

THIRD

ALASKA



E Superior Court

HB

225

FISCAL NOTE

**STATE OF ALASKA
2001 LEGISLATIVE SESSION**

Fiscal Note Number: 1
 Bill Version: CASHB 225(L&C)
 (H) Publish Date: 4/19/01

Revision Date/Time (Note if correction): _____ Dept. Affected: Revenue
 Title: Alcoholic Beverage Tax BRU: Revenue Operations
 Component: Tax Division
 Sponsor: Representative Murkowski
 Requester: House Finance Component Number: 2476

Expenditures/Revenues (Thousands of Dollars)

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

OPERATING EXPENDITURES	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
Personal Services	63.0	63.0	63.0	63.0	63.0	63.0
Travel	2.5	2.5	2.5	2.5	2.5	2.5
Contractual	3.0	3.0	3.0	3.0	3.0	3.0
Supplies	1.0	1.0	1.0	1.0	1.0	1.0
Equipment	5.0					
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	74.5	69.5	69.5	69.5	69.5	69.5

CAPITAL EXPENDITURES						
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CHANGE IN REVENUES (increase)	22,238-23,878	27,873-29,921	27,873-29,921	27,873-29,921	27,873-29,921	27,873-29,921
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FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF	74.5	69.5	69.5	69.5	69.5	69.5
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type)						
TOTAL	74.5	69.5	69.5	69.5	69.5	69.5

Estimate of any current year (FY2001) cost: _____

Check this box (X) if funding for this bill is included in the Governor's FY 2002 budget proposal:

POSITIONS

Full-time	1	1	1	1	1	1
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

**** Please see attached bill analysis.**

We used the following to arrive at the revenue estimates above:

- (1) Alcoholic beverage prices are from the 1999 American Chamber of Commerce Research Association survey for Anchorage.
- (2) Price elasticity ranges from 1990 Congressional Office report: "Federal Taxation of Tobacco, Alcoholic Beverages, and Motor Fuels."
- (3) We assume that the tax is completely passed on to the consumer in the form of higher prices.
- (4) We assume that in the first year of implementation, as a result of stockpiling, the revenue increase would be 20 percent less (from our experience with the cigarette tax rate increase).
- (5) We assume that the tax becomes effective on July 1, 2001.
- (6) We assume that the decrease in consumption occurs as one-time effect and then does not change.
- (7) We assume that only Alaska businesses take advantage of the lower tax rate on qualifying breweries.

Prepared by: Johanna Bales and Brett Fried
 Division: Tax Division
 Approved by: Larry Persily, Deputy Commissioner
 Agency: Department of Revenue

Phone: 907-269-6628 or 465-3682
 Date/Time: April 19, 2001, 1 p.m.
 Date: 04/19/2001

For distribution information, call the Governor's Legislative Office

Department of Revenue Bill Analysis
CSHB 225 (L&C) - Alcoholic Beverage Tax (April 19, 2001)

Section 1. Increasing the alcoholic beverage excise tax rate.

1. The bill creates a new tax rate category for "hard" cider. We recommend that cider be added to the listing of taxable beverages under (a) as well.
2. Based on experience with the 1997 increase in the tax rate on cigarettes and tobacco products, the department would like to point out the following:
 - There is no provision in this bill to tax existing wholesale and retail inventory in the state at the new tax rate. When the cigarette and tobacco products tax rates were increased, a significant amount of stockpiling took place within the state. The department estimates that approximately \$7.1 million in revenue was lost during the first six months of the tobacco tax increase due to stockpiling. We believe the same thing could happen if the alcoholic beverage tax rate is increased. If it is the intent of the legislature to tax existing inventory at the new rate, there should be transitional language in the bill requiring a "floor stock tax". A floor stock tax is a one-time tax paid by all retailers and wholesalers in the state on existing alcoholic beverage inventory. However, we believe that there would still be some stockpiling by individuals.
 - There is no explicit provision for a person to pay the tax if they import product from outside the state for personal consumption. If it is the intent of the legislature to put the tax burden on the consumer, a provision should be made to make a person primarily liable for the tax if they are the first importer of the product into the state for personal consumption.
 - Based on experience with the tobacco tax increase, the department believes there would be an incentive to try to avoid the increased state excise tax. The current tax rate is viewed by many as immaterial, but the higher rate likely would result in an increase in tax avoidance efforts by some individuals. As such, the department estimates it would need one full-time Revenue Auditor III (Range 18) to provide additional enforcement to ensure that the tax is enforced and that the state does not lose revenues.

Section 2. Reduced rate for small domestic brewers

1. We have lowered the estimated tax revenue increase for this legislation to reflect our best guess of the fiscal impact from the reduced tax rate for small Alaska beer producers. The fiscal note assumes that the in-state brewers are the only beneficiaries of the section.

2. Section 2 incorporates provisions of the Internal Revenue Code that are applicable to domestic (U.S.) beer producers. The existing 35 cents per gallon tax rate would be retained for certain brewers on the first 60,000 barrels (31-gallon barrels) sold in Alaska. Because qualification under this provision is dependent on the taxpayer's qualification under the federal rules, and the federal rules are restricted to domestic producers, this provision could violate the United States Constitution. This problem could be resolved if the bill is amended to qualify brewers independent of federal tax status, such that qualification were independent of state or country of origin. One consequence of such change could be increased administrative costs.
3. We are unable to estimate the number of out-of-state brewers that could qualify for the reduced tax rate or the number that would qualify if constitutional problems were fully addressed. Neither can we estimate the volume of beer sold in Alaska by these non-Alaska brewers. However, the impact on revenue could be significant. For example, a brewer approaching the 2-million-barrel threshold that sells 60,000 barrels in Alaska would pay \$651,000 compared to an unqualified brewer paying \$2,641,200 on its 60,000 barrels.
4. The document filed by a brewer with the federal Bureau of Alcohol, Tobacco and Firearms claiming the reduced federal tax rate is titled "Brewer's Notice of Intent to Pay Reduced Rate of Tax." If the state is going to rely on this document, the exact and correct title should be referenced.
5. This bill does not address breweries controlled by the same person. As such, an individual who owns two breweries could still qualify as a small brewery under federal rules, but claim the reduced tax rate on over 60,000 barrels produced each year. To correct this problem, the following language should be considered: "The reduced rate of tax applies to the first 60,000 barrels of beer sold in Alaska during a fiscal year by a controlled group of brewers. In this subsection, controlled group of brewers means two or more brewers in which the same person holds, directly or indirectly, a 50 percent ownership interest. In this subsection, person includes an individual, corporation, partnership, association, joint venture, estate, trust, or combination acting as a unit."
6. The tax in current statute is on malt beverages. However, "beer" is used for the reduced rate of tax in this section. "Beer" should be defined in the bill.

(prepared by Johanna Bales and Brett Fried, Tax Division)

HB

252

FISCAL NOTE

STATE OF ALASKA
2002 LEGISLATIVE SESSION

Fiscal Note Number: 1
 Bill Version: CSHB 252(HES)
 (H) Publish Date: 2/25/02

Revision Date/Time (Note if correction): _____ Dept. Affected: Health & Social Services
 Title: RELATING TO CONSTRUCTION OF THE CINA STATUTES AND BRU: Family and Youth Services
SCOPE OF DUTY FOR SOCIAL WORKERS Component: FYS Management
 Sponsor: COGHILL
 Requestor: HOUSE (HES) Component Number: 2306

Expenditures/Revenues (Thousands of Dollars)

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

OPERATING EXPENDITURES	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
Personal Services						
Travel						
Contractual	80.0	50.0	50.0			
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	80.0	50.0	50.0	0.0	0.0	0.0

CAPITAL EXPENDITURES						
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CHANGE IN REVENUES (0)						
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FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF	80.0	50.0	50.0			
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type- do not abbreviate)						
TOTAL	80.0	50.0	50.0	0.0	0.0	0.0

Estimate of any current year (FY2002) cost: _____

Check this box (X) if funding for this bill is included in the Governor's FY 2003 budget proposal:

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

The intent of this proposed legislation appears to be one that is in line with the department's desire to provide support to families who can benefit from it, and to improve safety and well being of children. Intensive Family Preservation services are provided in many communities across the nation. These programs work intensely with a small number of families, for a short period of time, to help the family through a threatening time of crisis. Intensive Family Preservation services can be beneficial in preventing children from entering protective custody, and in reducing the amount of time children spend in protective custody. These services have limits in their appropriateness and effectiveness.

Currently, DFYS receives federal and state funds to provide family support, family preservation and time

Prepared by: Theresa Tanoury, Director Phone 465-3191
 Division: Family & Youth Services Date/Time 02/22/2002
 Approved by: Elmer A. Lindstrom, Deputy Commissioner Date 02/22/2002
 Agency: Department of Health & Social Services

For distribution information, call the Governor's Legislative Office

FISCAL NOTE

STATE OF ALASKA
2002 LEGISLATIVE SESSION

BILL NO. CSHB 252(HFS)

ANALYSIS CONTINUATION

ANALYSIS CONTINUED:

limited family reunification services. These funds are disbursed through the grant process to 26 agencies in communities throughout Alaska.

The legislation obligates the division to consider using Intensive Family Preservation services when and where available; and it allows the division to determine the appropriateness of the services.

The legislation also states an expectation that the department will research and pursue outside funding to develop these services. The detailed prospective study (which includes development and training), data analysis, and projection process will need to be completed by an outside source with specific expertise. This fiscal note is for the expected cost of this process. Funding to cover the cost of this process is requested for three years. Cost covers expense related to the required study. Since the CS HB252 allows phase in of these services to occur, the department will spend first year funding on developing and training for intensive family preservation services.

ALASKA STATE HOUSE OF REPRESENTATIVES


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Session Contact:
(907)-465-3719
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State Capitol
Room 102

REPRESENTATIVE JOHN COGHILL

Memorandum

Date: April 17, 2002
To: Members of the House
House Rules Committee
From: Representative John Coghill 
Re: CHIT Sheet

I am asking for your support in passing HB 252. In 1998, this same body passed HB 375 which included new laws to protect children in Title 47.10 "Children in Need of Aid". This legislation imposed on the Department and its agents under AS 47.10.084 the "responsibility of physical care and control of the child, the determination of where and with whom the child shall live, the right and duty to protect, nurture, train, and discipline the child, the duty of providing the child with food, shelter, education, and medical care, and the right and responsibility to make decisions of significance concerning the child."

Because the Department of Law expressed concerns that they did not know if they could conform to the new time lines, the legislature included AS 47.10.960 in the legislation. AS 47.10.960 went way beyond what I believe the legislature intended. It that nothing in Title 47 "creates a duty or standard of care for services to children and their families being served under AS 47.10." This statute negates the duties and responsibilities in AS 47.10.084.

This bill recreates the duty and standard of care intended in HB 375 while releasing the Department from being civilly liable for monetary damages "solely on the basis that the duty was not performed within the time period specified" under Chapter 10 of Title 47.

HB 252 also defines and install in statute "Intensive Family Preservation Services". It sets the stage for DFYS to contract with community organizations to provide counseling and parenting skills, solve day-to-day problems that place stress on families, and 24 hours assistance in implementing the case plan of a family who has a child in out-of-home placement or is in "imminent risk" of that placement.

My office will be contacting you with a CHIT Sheet. Thank you for your consideration.

CORRECTION

THE FOLLOWING DOCUMENT(S)
HAVE BEEN REFILMED TO
ASSURE LEGIBILITY OR PAGINATION



Central Microfilm Services
Department of Education & Early Development
State of Alaska

ALASKA STATE HOUSE OF REPRESENTATIVES

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My office will be contacting you with a CHIT Sheet. Thank you for your consideration.

Subject: Re: Rules CS HB 252

Date: Mon, 22 Apr 2002 16:19:50 -0800

From: "Susan Cox" <Susan_Cox@law.state.ak.us>

To: <Rynniva_Moss@legis.state.ak.us>

Rynniva, I appreciate the effort at finding some middle ground. Unfortunately, I think that explicitly opening the door for civil liability under AS 47.10.084, 086, and .088 is very problematic. We have no problem acknowledging that the state can be civilly liable for damage to CHILDREN when they are not properly cared for or protected (along the lines of the duties listed in 47.10.084(a)), but adding the potential for liability to parents will be costly and time-consuming. I would be happy to discuss this with you further, and will be back in the office tomorrow afternoon. If you would like to talk to someone while I am traveling home, Gail Voigtlander in our Anchorage torts section is totally up to speed on this. She can be reached at 269-5190. Thanks, Susan

<<< Rynniva Moss <Rynniva_Moss@legis.state.ak.us> 4/22 3:27p
>>>

Proposed Rules Committee Substitute

The new language will specifically preserve the right of parents and children to sue in equity for violation of statutory duties.

I have had professionals in the field say that the fiscal note is pure speculation. The 2% number is clearly picked from thin air. The only rationale given is that a parent or child may sue in the middle of a CINA action for damages. Comments are that this claim is preposterous. Here is some of the rationale dispelling the Department of Law's concerns:

1. As LAW points out, the parties are already represented by attorneys and GAL's. Anyone can appeal to the court to order DFYS to do something or stop some action. This is routine.
2. None of these legal representatives are free to bring damage actions as they are nearly all state employees or state contractors. As far as I can tell after talking to the AG's office, GAL's, and the public defenders office, there has NEVER, in thousands of cases over decades, been an independent lawsuit brought.
3. So it must be the private bar that the state is worried about. Lawyers do not bring damage actions unless there is damage and they can prove it. All situations in the middle of a CINA action are temporary and subject to change at the next hearing. Lasting damage worthy of a lawsuit is very rare and then only litigated years later once it can be proven.
4. Common law negligence actions are legally conceivable during a CINA proceeding now. NONE has ever been brought for the reasons above. Even assuming that actions based on the violation of statutory duties are slightly easier to prove, there is still the proof of damages barrier that is simply unassailable until the CINA action is completed and lasting damage to a party is evident.
5. Any action brought by a CINA party would be on a contingency fee basis because 99% of them are children and poor parents. No lawyer will take a case that would make them expend significant resources (time and costs) with no prospect of a significant payday. Lawyers don't like to lose money and work for free. Lawsuits are brought when a lawyer believes that there is a substantial chance of a substantial recovery. Neither condition exists during a CINA action.
7. Courts would be extremely reluctant to hear damage actions based on the same facts that are under debate in a CINA case. They hate duplication of effort--with the embarrassing prospect of different results--even more than the rest of us.

Rymer

HB

303

FISCAL NOTE

**STATE OF ALASKA
2002 LEGISLATIVE SESSION**

Fiscal Note Number: 2
 Bill Version: CSHB 303(FIN)
 (H) Publish Date: 3/26/02

Revision Date/Time (Note if correction): _____ Dept. Affected: Revenue
 Title: Statewide Sales Tax BRU: Revenue Operations
 Component: Tax Division
 Sponsor: Representative Whitaker
 Requester: House Finance Committee Component Number: 2476

Expenditures/Revenues (Thousands of Dollars)

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

OPERATING EXPENDITURES	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
Personal Services	2,389.4	3,774.5	3,774.5	3,774.5	3,774.5	3,774.5
Travel	80.0	70.0	70.0	70.0	70.0	70.0
Contractual	875.5	954.0	983.5	983.5	983.5	983.5
Supplies	75.3	91.0	91.0	91.0	91.0	91.0
Equipment	520.0	67.5	15.0	15.0	15.0	15.0
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	3,940.2	4,957.0	4,934.0	4,934.0	4,934.0	4,934.0

CAPITAL EXPENDITURES	1,904.0	427.5	0.0	0.0	0.0	0.0
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CHANGE IN REVENUES (Increase)	100,000.0	240,000.0	240,000.0	240,000.0	240,000.0	240,000.0
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FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF	5,844.2	5,384.5	4,934.0	4,934.0	4,934.0	4,934.0
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type)						
TOTAL	5,844.2	5,384.5	4,934.0	4,934.0	4,934.0	4,934.0

Estimate of any current year (FY2002) cost: 0.0

Check this box (X) if funding for this bill is included in the Governor's FY 2002 budget proposal:

POSITIONS

Full-time	65	72	72	72	72	72
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

The Department of Revenue estimates the 3% year-round statewide sales tax in this legislation would generate approximately \$240 million a year in state revenues. Uncertainties over the effect of limiting the sales tax to the first \$2,000 of a sales or service invoice, and the lack of detailed statistics on the sales of goods and services in Alaska corresponding to the exemptions granted in this legislation make it difficult to provide a better estimate of revenues -- the actual revenues could be higher. The revenue estimate for FY2003 assumes five months of collections in the first fiscal year, starting with February receipts from January's collections.

The cost projections assume the new Sales Tax Section would take over space in the State Office Building in Juneau currently occupied by the Permanent Fund Dividend Division and would take over space in the Atwood Building in Anchorage currently occupied by the Alcoholic Beverage Control Board. These moves would allow the Sales Tax Section to share premises (and staff) with the department's Tax Division. The estimated cost of relocating the Dividend Division and ABC Board are a combined one-time relocation expense of approximately \$325,000 and an annual operating budget increase of perhaps \$150,000 a year (due to the higher rents for private property as opposed to state-owned buildings). The capital costs are reflected in this fiscal note; the ABC and Dividend Division operating budget increments are not reflected in this fiscal note and would be requested in a supplemental appropriation next year.

Prepared by: Larry Persily, Deputy Commissioner Phone 465-5469
 Division: Department of Revenue Date/Time 3/25/2002 6:30 p.m.
 Approved by: Larry Persily, Deputy Commissioner Date 3/25/2002
 Agency: Department of Revenue

For distribution information, call the Governor's Legislative Office

22-LS1206M
Kurtz
5/1/02

CS FOR HOUSE BILL NO. 303(RLS)
IN THE LEGISLATURE OF THE STATE OF ALASKA
TWENTY-SECOND LEGISLATURE - SECOND SESSION

BY THE HOUSE RULES COMMITTEE

Offered:
Referred:

Sponsor(s): REPRESENTATIVES WHITAKER, Fate, Lancaster

A BILL
FOR AN ACT ENTITLED

1 **"An Act relating to taxation of income; and providing for an effective date."**

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

3 *** Section 1.** AS 43.05 is amended by adding a new section to article 3 to read:

4 **Sec. 43.05.300. Definition.** In AS 43.05.220 - 43.05.300, unless the context
5 otherwise requires, "taxpayer"

6 (1) means a person required to pay a tax under this title; and

7 (2) includes an employer that is required to withhold taxes under
8 AS 43.20.041.

9 *** Sec. 2.** AS 43.20 is amended by adding a new section to read:

10 **Sec. 43.20.009. Tax on individuals.** (a) For each year after December 31,
11 2002, there is imposed an income tax on the adjusted gross income of every

12 (1) resident individual; and

13 (2) nonresident and part-year resident individual with income from
14 sources in the state.

15 (b) The applicable tax rates for a calendar year are as follows:

1 (1) if, on September 30 of the previous year, the unaudited balance in
 2 the budget reserve fund created by art. IX, sec. 17, Constitution of the State of Alaska,
 3 was equal to or less than \$2,000,000,000,

4 (A) for an individual whose federal filing status for the year is
 5 single, married filing separately, or head of household,

6	if the adjusted gross income is:	then the tax is:
7	not over \$10,000	1.35 percent
8	over \$10,000 but not over \$20,000	\$135 plus 2.03 percent of the amount over \$10,000
10	over \$20,000 but not over \$30,000	\$338 plus 2.70 percent of the amount over \$20,000
12	over \$30,000 but not over \$50,000	\$608 plus 2.70 percent of the amount over \$30,000
14	over \$50,000 but not over \$75,000	\$1,148 plus 1.76 percent of the amount over \$50,000
16	over \$75,000 but not over \$100,000	\$1,588 plus 1.76 percent of the amount over \$75,000
18	over \$100,000 but not over \$150,000	\$2,028 plus 1.69 percent of the amount over \$100,000
20	over \$150,000 but not over \$200,000	\$2,873 plus 1.49 percent of the amount over \$150,000
22	over \$200,000 but not over \$500,000	\$3,618 plus .41 percent of the amount over \$200,000
24	over \$500,000 but not over \$1,000,000	\$4,848 plus .07 percent of the amount over \$500,000
26	over \$1,000,000	\$5,198 plus .05 percent of the amount over \$1,000,000

28 (B) for two individuals whose federal filing status is married
 29 filing jointly or an individual whose federal filing status is as a qualifying
 30 widow or widower with dependent child,

31 if adjusted gross income is: then the tax is:

1	not over \$20,000	1.35 percent
2	over \$20,000 but not over \$40,000	\$270 plus 2.03 percent of the
3		amount over \$20,000
4	over \$40,000 but not over \$60,000	\$676 plus 2.70 percent of the
5		amount over \$40,000
6	over \$60,000 but not over \$100,000	\$1,216 plus 2.70 percent of
7		the amount over \$60,000
8	over \$100,000 but not over \$150,000	\$2,296 plus 1.76 percent of
9		the amount over \$100,000
10	over \$150,000 but not over \$200,000	\$3,176 plus 1.76 percent of
11		the amount over \$150,000
12	over \$200,000 but not over \$300,000	\$4,056 plus 1.69 percent of
13		the amount over \$200,000
14	over \$300,000 but not over \$400,000	\$5,746 plus 1.49 percent of
15		the amount over \$300,000
16	over \$400,000 but not over \$1,000,000	\$7,236 plus .41 percent of
17		the amount over \$400,000
18	over \$1,000,000 but not over \$2,000,000	\$9,696 plus .07 percent of
19		the amount over \$1,000,000
20	over \$2,000,000	\$10,396 plus .05 percent of
21		the amount over \$2,000,000

(2) if, on September 30 of the previous year, the unaudited balance in the budget reserve fund created by art. IX, sec. 17, Constitution of the State of Alaska, was more than \$2,000,000,000 but not more than \$3,000,000,000,

(A) for an individual whose federal filing status for the year is single, married filing separately, or head of household,

27	if the adjusted gross income is:	then the tax is:
28	not over \$10,000	.95 percent
29	over \$10,000 but not over \$20,000	\$95 plus 1.42 percent of the
30		amount over \$10,000
31	over \$20,000 but not over \$30,000	\$237 plus 1.89 percent of the

1		amount over \$20,000
2	over \$30,000 but not over \$50,000	\$426 plus 1.89 percent of the
3		amount over \$30,000
4	over \$50,000 but not over \$75,000	\$804 plus 1.23 percent of
5		the amount over \$50,000
6	over \$75,000 but not over \$100,000	\$1,112 plus 1.23 percent of
7		the amount over \$75,000
8	over \$100,000 but not over \$150,000	\$1,419 plus 1.18 percent of
9		the amount over \$100,000
10	over \$150,000 but not over \$200,000	\$2,009 plus 1.04 percent of
11		the amount over \$150,000
12	over \$200,000 but not over \$500,000	\$2,529 plus .28 percent of
13		the amount over \$200,000
14	over \$500,000 but not over \$1,000,000	\$3,369 plus .05 percent of
15		the amount over \$500,000
16	over \$1,000,000	\$3,619 plus .04 percent of
17		the amount over \$1,000,000
18	(B) for two individuals whose federal filing status is married	
19	filing jointly or an individual whose federal filing status is as a qualifying	
20	widow or widower with dependent child,	
21	if adjusted gross income is:	then the tax is:
22	not over \$20,000	.95 percent
23	over \$20,000 but not over \$40,000	\$190 plus 1.42 percent of the
24		amount over \$20,000
25	over \$40,000 but not over \$60,000	\$474 plus 1.89 percent of the
26		amount over \$40,000
27	over \$60,000 but not over \$100,000	\$852 plus 1.89 percent of
28		the amount over \$60,000
29	over \$100,000 but not over \$150,000	\$1,608 plus 1.23 percent of
30		the amount over \$100,000
31	over \$150,000 but not over \$200,000	\$2,223 plus 1.23 percent of

1		the amount over \$150,000
2	over \$200,000 but not over \$300,000	\$2,838 plus 1.18 percent of
3		the amount over \$200,000
4	over \$300,000 but not over \$400,000	\$4,018 plus 1.04 percent of
5		the amount over \$300,000
6	over \$400,000 but not over \$1,000,000	\$5,058 plus .28 percent of
7		the amount over \$400,000
8	over \$1,000,000 but not over \$2,000,000	\$6,738 plus .05 percent of
9		the amount over \$1,000,000
10	over \$2,000,000	\$7,238 plus .04 percent of
11		the amount over \$2,000,000
12	(3) if, on September 30 of the previous year, the unaudited balance in	
13	the budget reserve fund created by art. IX, sec. 17, Constitution of the State of Alaska,	
14	was more than \$3,000,000,000,	
15	(A) for an individual whose federal filing status for the year is	
16	single, married filing separately, or head of household,	
17	if the adjusted gross income is:	then the tax is:
18	not over \$10,000	.54 percent
19	over \$10,000 but not over \$20,000	\$54 plus .81 percent of the
20		amount over \$10,000
21	over \$20,000 but not over \$30,000	\$135 plus 1.08 percent of the
22		amount over \$20,000
23	over \$30,000 but not over \$50,000	\$243 plus 1.08 percent of the
24		amount over \$30,000
25	over \$50,000 but not over \$75,000	\$459 plus .70 percent of
26		the amount over \$50,000
27	over \$75,000 but not over \$100,000	\$634 plus .70 percent of
28		the amount over \$75,000
29	over \$100,000 but not over \$150,000	\$809 plus .68 percent of
30		the amount over \$100,000
31	over \$150,000 but not over \$200,000	\$1,149 plus .59 percent of

1		the amount over \$150,000
2	over \$200,000 but not over \$500,000	\$1,444 plus .16 percent of
3		the amount over \$200,000
4	over \$500,000 but not over \$1,000,000	\$1,924 plus .03 percent of
5		the amount over \$500,000
6	over \$1,000,000	\$2,074 plus .02 percent of
7		the amount over \$1,000,000
8	(B) for two individuals whose federal filing status is married	
9	filing jointly or an individual whose federal filing status is as a qualifying	
10	widow or widower with dependent child,	
11	if adjusted gross income is:	then the tax is:
12	not over \$20,000	.54 percent
13	over \$20,000 but not over \$40,000	\$108 plus .81 percent of the
14		amount over \$20,000
15	over \$40,000 but not over \$60,000	\$270 plus 1.08 percent of the
16		amount over \$40,000
17	over \$60,000 but not over \$100,000	\$486 plus 1.08 percent of
18		the amount over \$60,000
19	over \$100,000 but not over \$150,000	\$918 plus .70 percent of
20		the amount over \$100,000
21	over \$150,000 but not over \$200,000	\$1,268 plus .70 percent of
22		the amount over \$150,000
23	over \$200,000 but not over \$300,000	\$1,618 plus .68 percent of
24		the amount over \$200,000
25	over \$300,000 but not over \$400,000	\$2,298 plus .59 percent of
26		the amount over \$300,000
27	over \$400,000 but not over \$1,000,000	\$2,888 plus .16 percent of
28		the amount over \$400,000
29	over \$1,000,000 but not over \$2,000,000	\$3,848 plus .03 percent of
30		the amount over \$1,000,000
31	over \$2,000,000	\$4,148 plus .02 percent of

1 the amount over \$2,000,000

2 (c) For a part-year resident individual or a nonresident individual, the tax
3 under this section shall be computed by multiplying the tax described in (b) of this
4 section, depending on the taxpayer's federal filing status, by a fraction, the numerator
5 of which is income from all sources in the state and the denominator of which is
6 income from all sources.

7 (d) In this section,

8 (1) "adjusted gross income" has the meaning given in 26 U.S.C. 62
9 (Internal Revenue Code), except that it

10 (A) includes a cost-of-living allowance that is exempt from the
11 federal income tax;

12 (B) does not include income exempted from state income
13 taxation under another provision of state or federal law, such as, by way of
14 example, interest on United States government securities and longevity bonus
15 payments;

16 (2) "unaudited balance in the budget reserve fund created by art. IX,
17 sec. 17, Constitution of the State of Alaska" means the balance in the fund on deposit
18 with the state's custodian bank as certified by the commissioner, without regard to
19 liabilities to the general fund under art. IX, sec. 17(d), Constitution of the State of
20 Alaska.

21 * Sec. 3. AS 43.20 is amended by adding a new section to read:

22 **Sec. 43.20.029. Electronic filing incentive.** The commissioner may by
23 regulation provide for an incentive to taxpayers for electronically filing tax returns and
24 making tax payments. An incentive under this section may not exceed \$25 for each
25 taxpayer a year and is contingent on the accurate and timely filing of the tax return and
26 timely payment of the tax due.

27 * Sec. 4. AS 43.20.030(a) is amended to read:

28 (a) Every individual, partnership, and [IF A] corporation [, OR A
29 PARTNERSHIP THAT HAS A CORPORATION AS A PARTNER, IS] required to
30 make a return under the provisions of the Internal Revenue Code [, IT] shall file with
31 the department [, WITHIN 30 DAYS AFTER THE FEDERAL RETURN IS

1 REQUIRED TO BE FILED,] a return setting out

2 (1) the amount of tax due under this chapter, less allowable credits
3 and payments claimed against the tax; and

4 (2) other information that the department requires for the purpose of
5 carrying out the provisions of this chapter [THAT THE DEPARTMENT
6 REQUIRES].

7 * Sec. 5. AS 43.20.030(d) is amended to read:

8 (d) A taxpayer, upon request by the department, shall file with the taxpayer's
9 state return [FURNISH TO THE DEPARTMENT] a true [AND CORRECT] copy of
10 the tax return [WHICH THE TAXPAYER HAS] filed with the United States Internal
11 Revenue Service. Every taxpayer shall file an amended return with [NOTIFY] the
12 department, and remit any additional tax and interest due, within [IN WRITING
13 OF ANY ALTERATION IN, OR MODIFICATION OF, THE TAXPAYER'S
14 FEDERAL INCOME TAX RETURN AND OF A RECOMPUTATION OF TAX OR
15 DETERMINATION OF DEFICIENCY, WHETHER WITH OR WITHOUT
16 ASSESSMENT. A FULL STATEMENT OF THE FACTS MUST ACCOMPANY
17 THIS NOTICE. THE NOTICE SHALL BE FILED WITHIN] 60 days after a [THE]
18 final determination of the taxpayer's federal tax liability [MODIFICATION,
19 RECOMPUTATION OR DEFICIENCY, AND THE TAXPAYER SHALL PAY THE
20 ADDITIONAL TAX OR PENALTY UNDER THIS CHAPTER]. For purposes of
21 this subsection [SECTION], a final determination means [SHALL MEAN] the date
22 [TIME] that an amended federal return is filed, the date a federal [OR A NOTICE
23 OF DEFICIENCY OR AN] assessment is made, or the date the restrictions on
24 assessment are waived by [MAILED TO] the taxpayer [BY THE INTERNAL
25 REVENUE SERVICE, EXCEPT THAT IN NO EVENT WILL THERE BE A FINAL
26 DETERMINATION FOR PURPOSES OF THIS SECTION UNTIL THE
27 TAXPAYER HAS EXHAUSTED RIGHTS OF APPEAL UNDER FEDERAL
28 LAW].

29 * Sec. 6. AS 43.20.030 is amended by adding a new subsection to read:

30 (h) The return for a corporation is due within 30 days after the federal return is
31 required to be filed. The return for other taxpayers is due on the date the federal return

1 is required to be filed.

2 * Sec. 7. AS 43.20.031(c) is amended to read:

3 (c) In computing the tax under this chapter, a corporation [THE
4 TAXPAYER] is not entitled to deduct any taxes based on or measured by net income.

5 * Sec. 8. AS 43.20.040 is repealed and reenacted to read:

6 **Sec. 43.20.040. Income from sources in the state.** (a) In this chapter,
7 income from sources in the state includes

8 (1) compensation for personal services rendered in the state;

9 (2) working in the state for salary or wages;

10 (3) income from real or tangible personal property located in the state;

11 (4) income from stocks, bonds, notes, bank deposits, and other
12 intangible personal property having a taxable or business situs in the state; however,
13 the receipt of interest income from intangible property in the state does not alone
14 establish a taxable or business situs in the state;

15 (5) rentals and royalties for the use of or for the privilege of using, in
16 the state, patents, copyrights, secret processes and formulas, good will, marks, trade
17 brands, franchises, and other property having a taxable or business situs in the state;

18 (6) income distributed from a trust established under or governed by
19 the laws of the state;

20 (7) income of whatever nature from a source with a taxable or business
21 situs in the state.

22 (b) Except as provided in (a)(4) of this section, in this section, income is from
23 a source with a taxable or business situs in the state if it is attributed to or derived from

24 (1) business facilities or property in the state;

25 (2) business, farming, or fishing activities in the state;

26 (3) conducting in the state the management or investment function for
27 intangible property;

28 (4) a partnership or limited liability company conducting business
29 activities in the state;

30 (5) a corporation transacting business activities in the state that has
31 elected to file federal returns under subchapter S of the Internal Revenue Code;

1 (6) any other activity from which income is received, realized, or
2 derived in the state.

3 (c) If a business, trade, or profession is carried on partly inside and partly
4 outside the state, other than the rendering of purely personal services by an individual,
5 the income from sources in the state shall be determined as provided in AS 43.19.

6 * **Sec. 9.** AS 43.20 is amended by adding a new section to article 1 to read:

7 **Sec. 43.20.046. Individual income tax credit.** (a) For a resident, the income
8 tax imposed on that resident by another state or territory of the United States for the
9 taxable year, on income derived from sources in that state or territory, is allowed as a
10 credit against the tax under this chapter.

11 (b) The credit under (a) of this section is determined by multiplying the tax
12 computed under this chapter by a fraction, the numerator of which is the income
13 derived from sources in the other state or territory and the denominator of which is
14 income derived from all sources. The credit under (a) of this section may not exceed
15 the actual tax paid to the other state or territory.

16 (c) An individual is allowed only the state credit provided in this section. The
17 total state credit allowed under this section may not exceed the tax liability for the
18 taxable year for the individual. A credit may not be carried, in whole or in part, to a
19 different taxable year.

20 * **Sec. 10.** AS 43.20 is amended by adding a new section to read:

21 **Sec. 43.20.171. Tax withholding on wages of individuals.** (a) Every
22 employer making payment of wages or salaries

23 (1) shall deduct and withhold an amount of tax computed in a manner
24 to approximate the amount of tax due on those wages or salaries under this chapter for
25 that taxable year;

26 (2) shall remit the tax withheld to the department accompanied by a
27 return on a form prescribed by the department at the times required by the department
28 by regulation;

29 (3) is liable for the payment of the tax required to be deducted and
30 withheld under this section but is not liable to any individual for the amount of the
31 payment; and

1 (4) shall furnish to the employee on or before January 31 of the
2 succeeding year, or within 30 days after a request by the employee after the
3 employee's termination if the 30-day period ends before January 31, a written
4 statement on a form prescribed by the department showing

5 (A) the name and taxpayer identification number of the
6 employer;

7 (B) the name and social security number of the employee;

8 (C) the total amount of wages or salary for the taxable year;

9 and

10 (D) the total amount deducted and withheld as tax for the
11 taxable year.

12 (b) The department shall publish the rate of withholding required by this
13 section.

14 (c) When an employer has deducted the tax from an employee's wages or
15 salary, the employee is no longer liable to the state for the amount deducted,
16 regardless of whether the employer actually remits the tax to the state.

17 * **Sec. 11.** AS 43.20 is amended by adding a new section to read:

18 **Sec. 43.20.174. Tax withholding from pass-through entities.** Every
19 partnership, limited liability company, or corporation for which an election under 26
20 U.S.C. 1362(a) (Internal Revenue Code) is in effect, and any other entity taxed as a
21 partnership, shall withhold an amount of tax computed in a manner to approximate the
22 amount of tax due on dividends paid to a nonresident individual, undistributed taxable
23 income credited to a nonresident individual, or the distributive share credited to a
24 nonresident individual and remit the tax withheld to the department at the times
25 required by the department by regulation.

26 * **Sec. 12.** AS 43.20.200(b) is amended to read:

27 (b) The same period of limitation upon the assessment and collection of taxes
28 imposed under this chapter and the same exceptions to it shall apply as provided in 26
29 U.S.C. 6501 - 6503 (Internal Revenue Code). In the case of additional tax due by
30 reason of a modification, recomputation, or determination of deficiency in a taxpayer's
31 federal income tax return, the period of limitation on assessment commences from the

1 date that the amended return [NOTICE] required in AS 43.20.030(d) is filed, and if
2 no amended return [NOTICE] is filed the tax may be assessed at any time.

3 * **Sec. 13.** AS 43.20.340 is amended by adding new paragraphs to read:

4 (12) "individual" means a natural person, married or unmarried, adult
5 or minor, subject to payment of income tax under 26 U.S.C. (Internal Revenue Code);

6 (13) "nonresident" means an individual who is not a resident or part-
7 year resident;

8 (14) "resident" means an individual who, for the entire taxable year,
9 was domiciled in the state or resided in the state.

10 * **Sec. 14.** AS 43.05.085; AS 43.20.012, and 43.20.013 are repealed.

11 * **Sec. 15.** The uncodified law of the State of Alaska is amended by adding a new section to
12 read:

13 INDIVIDUAL INCOME TAX RATE FOR 2003. The applicable tax rates for 2003
14 are the rates in AS 43.20.009(b)(1)(A) and (B), added by sec. 2 of this Act, regardless of the
15 balance in the budget reserve fund created by art. IX, sec. 17, Constitution of the State of
16 Alaska.

17 * **Sec. 16.** The uncodified law of the State of Alaska is amended by adding a new section to
18 read:

19 TRANSITION: REGULATIONS. The Department of Revenue may proceed to adopt
20 regulations necessary to implement the provisions of this Act. The regulations take effect
21 under AS 44.62 (Administrative Procedure Act), but not before the effective date of the
22 provision being implemented.

23 * **Sec. 17.** Section 16 of this Act takes effect immediately under AS 01.10.070(c).

24 * **Sec. 18.** Except as provided in sec. 17 of this Act, this Act takes effect January 1, 2003.

HB

304

ALASKA STATE LEGISLATURE

Representative Pete Kott, Chair
Representative Brian Porter
Representative Vic Kohring
Representative Carl Morgan
Representative Lesil McGuire
Representative Ethan Berkowitz
Representative Reggie Joule



Alaska State Capitol
Juneau, AK 99801-1182
Telephone: (907) 465-3777
Fax: (907) 465-2819

House of Representatives Rules Committee

Agenda

Butrovich Room 205, Alaska State Capitol

April 15, 2002 (9:00 A.M.)

Call to Order

Roll Call

- + HB 304 PERMANENT FUND INCOME
- + HB 506 LEGISLATIVE IMMUNITY
- + HB 508 DIVE FISHERY ASSOCIATIONS/PSP REPORTS
- + SB 176 DISTRIBUTORSHIPS
- + SB 269 BONDSTEEL BRIDGE OF HONOR
- + HJR 47 LOW SULFUR DIESEL FUEL REQUIREMENTS

Other Business

Adjournment

ALASKA STATE LEGISLATURE

Representative Pete Kott, Chair
Representative Brian Porter
Representative Vic Kohring
Representative Carl Morgan
Representative Lesil McGuire
Representative Ethan Berkowitz
Representative Reggie Joule



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House of Representatives Rules Committee

Notice

- Awaiting Rules Committee Substitutes on the following legislation:
 - 1) House Bill 506 (Legislative Immunity)
 - 2) Senate Bill 176 (Distributorships)

FISCAL NOTE

STATE OF ALASKA
2002 LEGISLATIVE SESSION

Fiscal Note Number: 1
 Bill Version: HB 304
 (H) Publish Date: 3/19/02

Revision Date/Time (Note if correction): _____ Dept. Affected: Revenue
 Title Permanent Fund Income BRU Permanent Fund Corp.
 Component Permanent Fund Corp.
 Sponsor Representative Whitaker
 Requester House State Affairs Component No. 109

Expenditures/Revenues (Thousands of Dollars)

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

OPERATING EXPENDITURES	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
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--Do not abbreviate)						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY2002) cost: 0.0
 Check this box (X) if funding for this bill is included in the Governor's FY 2003 budget proposal:

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

The proposed legislation would not increase the cost of operations for the Alaska Permanent Fund Corporation.

Prepared by: Robert D. Storer, Executive Director Phone (907)465-2047
 Division Alaska Permanent Fund Corporation Date/Time 2/22/02 2:58 PM
 Approved by: Larry Persily, Deputy Commission Date 02/22/2002
 Agency Department of Revenue

FISCAL NOTE

STATE OF ALASKA
2002 LEGISLATIVE SESSION

Fiscal Note Number: 2
 Bill Version: CSHB 304(FIN)
 (H) Publish Date: 3/27/02

Revision Date/Time (Note if correction): _____ Dept. Affected: Revenue
 Title Permanent Fund Income BRU Permanent Fund Corp.
 Component Permanent Fund Corp.
 Sponsor Representative Whitaker
 Requester House Finance Committee Component No. 109

Expenditures/Revenues (Thousands of Dollars)

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

OPERATING EXPENDITURES	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
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--Do not abbreviate)						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY2002) cost: 0.0
 Check this box (X) if funding for this bill is included in the Governor's FY 2003 budget proposal:

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

Page 2 outlines our understanding of how the distributions of Permanent Fund earnings would work after the adoption of HB 304.

Page 3 is a schedule estimating the financial effects of HB 304.

As an explanation, the model on Page 3 shows dividend amounts under the fiscal year in which the liability to the Permanent Fund accrues -- not the fiscal year in which the individual dividends are paid to Alaskans. For example, the model shows an estimated \$1,540 dividend under the Fiscal 2002 column, although the actual dividend would be paid in October 2002, which is Fiscal 2003. The same one-year "shift" applies to all of the fiscal years listed.

Prepared by: Robert D. Storer, Executive Director Phone 465-2047
 Division Alaska Permanent Fund Corporation Date/Time 3/26/2002 04:00: PM
 Approved by: Larry Persily, Deputy Commissioner Date 3/26/2002
 Agency Department of Revenue

Alaska Permanent Fund Corporation

Analysis for CSHB 304(FIN) - FN#2
March 26, 2002 - Page 2 of 3

OVERVIEW

CSHB 304(FIN) contains the following provisions:

1. Leaves existing statutory distributions (dividends and inflation-proofing) in place for June 30, 2002, but after those transfers are accounted for, appropriates the next day, July 1, 2002, \$300 million from the earnings reserve account to the General Fund.
2. For Fiscal 2004, appropriates 7 percent of the Fund's market value for the five fiscal years ended June 30, 2003 for payouts as follows: 45% to the dividend fund, 35% to the education fund and 20% to the infrastructure and economic development fund. (Note: All payouts under this bill are established as liabilities on the preceding June 30 and paid out in the next fiscal year.)
3. For Fiscal 2005, appropriates 6 percent of the Fund's market value for the five fiscal years ended June 30, 2004 for payouts per the same 45/35/20 division.
4. For all subsequent years, appropriates 5 percent of the Fund's market value for the five fiscal years just ended for payouts per the same 45/35/20 division.
5. Statutory inflation-proofing is repealed effective June 30, 2003.
6. The bill includes a new subsection, AS 37.13.145(g), which states that if the amount in the earnings reserve account is not sufficient to fully fund the three payouts - the 45% to the dividend fund, 35% to the education fund and 20% to the infrastructure and economic development fund - then "the amount of each transfer shall be reduced on a pro rata basis so that the total amount transferred equals the balance in the earnings reserve account."
7. The bill infers that the distributions referred to in HB 304 will be made in the beginning of the fiscal year. Currently the large dividend distribution is not paid out of the fund until late September, after completion of our annual audit. To assure accuracy we would recommend all major distributions being made in late September of each fiscal year.
8. The APFC's Operating and Investment Manger Fees BRUs FY03 budget request totals \$49 million. It is our understanding that the appropriations for these budgets are separate and in addition to distributions under HB 304.

Assumptions: Callan 2002 CMA, APFC 2001 asset allocation, Fall 2001 revenue forecast, financial statements through 2/28/02, POMV begins in FY03. All payouts are liabilities at year end, to be paid out in the next fiscal year.

CSHB 304(FIN) - FN#2

	<u>FY02</u>	<u>FY03</u>	<u>FY04</u>	<u>FY05</u>	<u>FY06</u>	<u>FY07</u>	<u>FY08</u>	<u>FY09</u>	<u>FY10</u>	<u>FY11</u>	<u>FY12</u>	Totals
<u>POMV (7%, 6%, 5%)</u>		7%	6%	5%	5%	5%	5%	5%	5%	5%	5%	
Total Return	1.29%	7.95%	7.95%	7.95%	7.95%	7.95%	7.95%	7.95%	7.95%	7.95%	7.95%	FY02-FY12
Principal - end of year (after payouts)	21,873	22,114	22,385	22,637	22,869	23,097	23,322	23,544	23,759	23,939	24,123	
ER - end of year (after payouts)	2,204	2,228	2,527	3,135	3,786	4,464	5,172	5,906	6,663	7,442	8,242	
Total Assets End of Year (after payouts)	24,077	24,342	24,912	25,772	26,655	27,561	28,494	29,450	30,422	31,381	32,365	
Total Annual Return in million \$	281	1,883	1,905	1,949	2,016	2,085	2,156	2,229	2,304	2,379	2,455	\$21,643
Total Payout in million \$	1,241	1,834	1,576	1,307	1,327	1,367	1,404	1,448	1,496	1,546	1,596	\$16,141
Education Fund - 35% of POMV - FY03	0	642	551	457	465	478	491	507	524	541	559	\$5,215
Infrastructure - 20% of POMV - FY03	0	367	315	261	265	273	281	290	299	309	319	\$2,980
Dividend - 45% of POMV (lump sum) - FY03	941	825	709	588	597	615	632	652	673	696	718	\$7,646
Transfer to General Fund	300	0	0	0	0	0	0	0	0	0	0	\$300
Dividend Per Person	\$1,540	\$1,330	\$1,120	\$910	\$910	\$930	\$950	\$970	\$990	\$1,010	\$1,030	\$11,690
Transfer Inflation-proofing (to principal)	602	0	0	0	0	0	0	0	0	0	0	\$602
5 year average market value		26,199	26,260	26,138	26,549	27,330	28,075	28,957	29,925	30,914	31,920	

22-LS1207\G
Cook
5/1/02

CS FOR HOUSE BILL NO. 304(2d RLS)

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-SECOND LEGISLATURE - SECOND SESSION

BY THE HOUSE RULES COMMITTEE

**Offered:
Referred:**

Sponsor(s): REPRESENTATIVES WHITAKER, Fate, Mulder

A BILL

FOR AN ACT ENTITLED

1 "An Act relating to the education fund and the infrastructure and economic
2 development fund, to the market value of the permanent fund, to distribution of the
3 income of the permanent fund, and to the determination of net income of the mental
4 health trust fund."

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

6 * **Section 1.** AS 37.05 is amended by adding new sections to article 6 to read:

7 **Sec. 37.05.590. Education fund.** (a) There is created as a special account in
8 the general fund the education fund consisting of transfers to the fund under
9 AS 37.13.145(e). Money may be appropriated from the fund for public schools,
10 including the University of Alaska.

11 (b) Nothing in this section dedicates money for a specific purpose.

12 **Sec. 37.05.600. Infrastructure and economic development fund.** (a) There
13 is created as a special account in the general fund the infrastructure and economic
14 development fund consisting of transfers to the fund under AS 37.13.145(f). Money

1 may be appropriated from the fund for capital projects, economic development
2 projects, or payments of principal and interest on general obligation or revenue bonds
3 issued by the state or an instrumentality of the state.

4 (b) Nothing in this section dedicates money for a specific purpose.

5 * Sec. 2. AS 37.13.140 is amended to read:

6 **Sec. 37.13.140. Income available for distribution. The market value [NET**
7 **INCOME] of the fund includes the market value [INCOME] of the earnings reserve**
8 **account established under AS 37.13.145. The market value [NET INCOME] of the**
9 **fund shall be computed annually as of the last day of the fiscal year in accordance with**
10 **generally accepted accounting principles [, EXCLUDING ANY UNREALIZED**
11 **GAINS OR LOSSES]. Income available for distribution on July 1 equals five [21]**
12 **percent of the average year-end market value [NET INCOME] of the fund for the**
13 **last five fiscal years, including the fiscal year just ended, but may not exceed [NET**
14 **INCOME OF THE FUND FOR THE FISCAL YEAR JUST ENDED PLUS] the**
15 **balance in the earnings reserve account described in AS 37.13.145.**

16 * Sec. 3. AS 37.13.145(b) is amended to read:

17 (b) At the beginning [END] of each fiscal year, the corporation shall transfer
18 from the earnings reserve account to the dividend fund established under
19 AS 43.23.045, 50 percent of the income available for distribution under AS 37.13.140.

20 * Sec. 4. AS 37.13.145(d) is amended to read:

21 (d) Notwithstanding (b), (c), and (f) of this section, income earned on money
22 awarded in or received as a result of State v. Amerada Hess, et al., 1JU-77-847 Civ.
23 (Superior Court, First Judicial District), including settlement, summary judgment, or
24 adjustment to a royalty-in-kind contract that is tied to the outcome of this case, or
25 interest earned on the money, or on the earnings of the money shall be treated in the
26 same manner as other income of the Alaska permanent fund, except that it is not
27 available for distribution [TO THE DIVIDEND FUND], and shall be annually
28 deposited into the principal of the Alaska permanent fund.

29 * Sec. 5. AS 37.13.145 is amended by adding new subsections to read:

30 (e) At the beginning of each fiscal year, the corporation shall transfer from the
31 earnings reserve account to the education fund (AS 37.05.590) 30 percent of the

1 income available for distribution under AS 37.13.140.

2 (f) At the beginning of each fiscal year, the corporation shall transfer from the
3 earnings reserve account to the infrastructure and economic development fund
4 (AS 37.05.600) 20 percent of the income available for distribution under
5 AS 37.13.140.

6 (g) If the amount in the earnings reserve account is not sufficient to fully fund
7 all transfers under (b), (e), and (f) of this section, the amount of each transfer shall be
8 reduced on a pro rata basis so that the total amount transferred equals the balance in
9 the earnings reserve account.

10 * Sec. 6. AS 37.13.150 is amended to read:

11 **Sec. 37.13.150. Corporation budget.** The revenue generated by the fund's
12 investments must be identified as the source of the operating budget of the corporation
13 in the state's operating budget under AS 37.07 (Executive Budget Act). The
14 unexpended balance of the corporation's annual operating budget does not lapse at the
15 end of the fiscal year but shall be treated as income from the fund under
16 AS 37.13.145(a) [AS 37.13.140].

17 * Sec. 7. AS 37.13.300(c) is amended to read:

18 (c) Income or other money [NET INCOME] from the mental health trust
19 fund may not be included in the computation of [NET] income available for
20 distribution under AS 37.13.140.

21 * Sec. 8. AS 37.14.031(c) is amended to read:

22 (c) The net income of the fund shall be determined by the Alaska Permanent
23 Fund Corporation annually as of the last day of the fiscal year in accordance with
24 generally accepted accounting principles [IN THE SAME MANNER THE
25 CORPORATION DETERMINES THE NET INCOME OF THE ALASKA
26 PERMANENT FUND UNDER AS 37.13.140].

27 * Sec. 9. AS 37.17.020(b) is amended to read:

28 (b) The endowment shall be held and invested by the Alaska Permanent Fund
29 Corporation subject to AS 37.13.120; however, net income from the endowment shall
30 be distributed under AS 37.17.010 - 37.17.110 and 37.17.225. Income or other
31 money [NET INCOME] from the endowment may not be included in the computation

1 of [NET] income available for distribution under AS 37.13.140.

2 * **Sec. 10.** AS 37.17.440(b) is amended to read:

3 (b) The principal and income of the endowment shall be held and invested by
4 the Alaska Permanent Fund Corporation subject to AS 37.13.120; however, net
5 income from the endowment and subsequent income earned on net income from the
6 endowment shall be held in a separate account until appropriated by the legislature.
7 Income or other money [NET INCOME] from the endowment may not be included
8 in the computation of [NET] income available for distribution under AS 37.13.140.

9 * **Sec. 11.** AS 37.13.145(c) is repealed.

10 * **Sec. 12.** The uncodified law of the State of Alaska is amended by adding a new section to
11 read:

12 TRANSFER TO GENERAL FUND. At the beginning of fiscal year 2003, after the
13 transfers under AS 37.13.145 at the end of fiscal year 2002, an amount equal to \$300,000,000
14 or the balance in the earnings reserve account, whichever is less, is transferred from the
15 earnings reserve account to the general fund.

Input Variables

(thousands)

GF Budget Growth Rate	2%
Perm Fund Earnings Rate	7.95%
CBR Earnings Rate	5%
Tax Rev. Growth Rate	2%

POMV	Total % to GF	50%	calculated
	% to Dividends	50%	calculated

Alaska Fair Tax	250,000	HB 303 - AFT
Alcohol Tax	23,800	HB 225
POMV Distribution		0.0%

Notes:

- 1) ANS price, ANS production, GF Unrestricted Revenue and Perm Fund FY03 CBR & Permanent Fund figures are taken from the Spring 2002 Revenue Sources book published by DOR.
- 2) All tax revenue except sales taxes roll up under "Additional New Revenue" below.
- 3) Assumes passage of a flat GF budget for FY03.
- 4) Assumes collection of reduced tax revenues for FY03, and full tax collections for FY04 forward.
- 5) Effective Inflation Proofing equates to retained earnings in the ERA in a given year. In other words, the total return less any distributions.

		Projected population	649	656	663	670	678	685	693	701	709
			FY02	FY03	FY04	FY05	FY06	FY07	FY08	FY09	FY10
General Fund											
Spring 2002 Revenue Sources		ANS Average \$/bbl	21.50	20.50	19.50	19.50	18.50	17.50	17.50	17.50	17.50
Assumes Flat 03' budget		Unrestricted General Fund Budget	2,417,100	2,417,100	2,465,442	2,514,751	2,565,046	2,616,347	2,668,674	2,722,047	2,776,488
		HB 20 Reductions to GF Budg.	0	(59,000)	(59,000)	(59,000)	(59,000)	(59,000)	(59,000)	(59,000)	(59,000)
		Unrestricted GF Revenue	1,623,300	1,559,600	1,509,500	1,439,100	1,332,200	1,216,300	1,177,100	1,139,100	1,095,300
		Fiscal (Gap) Before New Revenue/Transfers	793,800	798,500	896,942	1,016,651	1,173,846	1,341,047	1,432,574	1,523,947	1,622,188
		HB 3 (Change in PF Deposits)	0	33,000	35,000	33,000	27,000	26,000	26,000	25,000	23,000
		ERA Transfer (POMV)	0	300,000	633,286	640,193	645,095	663,633	688,502	713,901	740,243
Assumes 1/2 year collections in 03'		Alaska Fair Tax (HB 303)	0	125,000	255,000	260,100	265,302	270,608	276,020	281,541	287,171
Total of other taxes		Alcohol Tax Increase	0	19,040	19,421	19,809	20,205	20,610	21,022	21,442	21,871
		CBR Transfer	(793,800)	(321,460)	45,765	(63,548)	(216,244)	(360,196)	(421,030)	(482,064)	(549,903)

CBR Fund

Beginning CBR balance	2,994,800	2,439,200	2,240,340	2,416,122	2,491,380	2,417,705	2,196,394	1,903,184	1,534,280
CBR earnings	138,200	92,600	112,017	120,806	124,569	120,885	109,820	95,159	76,714
Settlements	100,000	30,000	18,000	18,000	18,000	18,000	18,000	18,000	18,000
CBR (Draw)/Payback	(793,800)	(321,460)	45,765	(63,548)	(216,244)	(360,196)	(421,030)	(482,064)	(549,903)
Ending CBR balance	2,439,200	2,240,340	2,416,122	2,491,380	2,417,705	2,196,394	1,903,184	1,534,280	1,079,090

Permanent Fund

Principal - Begin Bal	21,051,422	21,893,422	22,125,422	22,350,422	22,670,422	22,771,422	22,951,422	23,130,422	23,307,422
Dedicated Revenue	240,000	220,000	212,000	206,000	186,000	165,000	163,000	160,000	155,000
Am Hess Settlement	0	12,000	13,000	14,000	15,000	15,000	16,000	17,000	18,000
Inflation Proofing	602,000	0	0	0	0	0	0	0	0
Principal - Ending Bal	21,893,422	22,125,422	22,350,422	22,670,422	22,771,422	22,951,422	23,130,422	23,307,422	23,480,422
ERA Begin Bal	3,767,311	2,712,311	3,469,311	4,163,152	4,925,783	5,754,935	6,628,073	7,534,118	8,474,508
Total Return estimated at 7.95%	486,000	1,923,000	2,042,413	2,116,018	2,193,342	2,274,404	2,358,049	2,444,191	2,532,825
Statutory Income	376,000	1,329,000	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Dividends - Total Distributed	(939,000)	(805,000)	(633,286)	(640,193)	(645,095)	(663,633)	(688,502)	(713,901)	(740,243)
Inflation Proofing Transfer	(602,000)	0	0	0	0	0	0	0	0
Am Hess/Admin/Special	0	(12,000)	(13,000)	(14,000)	(15,000)	(15,000)	(16,000)	(17,000)	(18,000)
Draw to GF (POMV)	0	(300,000)	(633,286)	(640,193)	(645,095)	(663,633)	(688,502)	(713,901)	(740,243)
HB 20	0	(59,000)	(59,000)	(59,000)	(59,000)	(59,000)	(59,000)	(59,000)	(59,000)
ERA - Ending Bal	2,712,311	3,469,311	4,163,152	4,925,783	5,754,935	6,628,073	7,534,118	8,474,508	9,449,847
Market Value - Ending Bal	24,805,733	25,584,733	26,513,574	27,496,205	28,526,357	29,579,495	30,664,540	31,781,930	32,930,269
5yr.-MV Average	n/a	24,989,761	25,331,444	25,607,737	25,803,796	26,545,320	27,540,073	28,556,034	29,609,705

POMV Summary

POMV Total Available	n/a	n/a	1,286,572	1,280,387	1,290,190	1,327,266	1,377,004	1,427,802	1,480,485	
Dividend Fund	939,000	805,000	633,286	640,193	645,095	663,633	688,502	713,901	740,243	
Dividend Check (model)	\$1,850.00	\$1,363.17	\$1,060.93	\$1,061.02	\$1,057.56	\$1,076.00	\$1,103.87	\$1,131.75	\$1,160.19	
Assumes Retained In ERA	Effective Inflation Proofing	602,000	747,000	703,841	762,631	829,152	873,138	906,045	940,389	975,339
	Effective IP rate	2.86%	2.92%	2.65%	2.77%	2.91%	2.95%	2.95%	2.96%	2.96%
	Effective POMV Distribution	n/a	n/a	4.8%	4.7%	4.5%	4.5%	4.5%	4.5%	4.5%

HB

464

FISCAL NOTE

STATE OF ALASKA
2002 LEGISLATIVE SESSION

Fiscal Note Number: 2
 Bill Version: CSHB 464(HES)
 (H) Publish Date: 4/25/02

Revision Date/Time (Note if correction): _____ Dept. Affected: EED
 Title: School District Correspondence Study BRU: Teaching & Learning Support
 Component: Quality Schools
 Sponsor: Representatives James, Dyson
 Requester: H EDU Component No.: 2147

Expenditures/Revenues (Thousands of Dollars)

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

OPERATING EXPENDITURES	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
Personal Services	115.0	115.0	115.0	115.0	115.0	115.0
Travel	15.5	15.5	15.5	15.5	15.5	15.5
Contractual	34.5	34.5	34.5	34.5	34.5	34.5
Supplies	5.0	5.0	5.0	5.0	5.0	5.0
Equipment	5.0	5.0	5.0	5.0	5.0	5.0
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	175.0	175.0	175.0	175.0	175.0	175.0

CAPITAL EXPENDITURES						
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CHANGE IN REVENUES ()						
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FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF	175.0	175.0	175.0	175.0	175.0	175.0
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type--Do not abbreviate)						
TOTAL	175.0	175.0	175.0	175.0	175.0	175.0

Estimate of any current year (FY2002) cost: 0.0

Check this box (X) if funding for this bill is included in the Governor's FY 2003 budget proposal: X

POSITIONS

Full-time	2					
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

In the FY2003 budget, the department has requested funding to administer an increasing number of statewide correspondence study students and programs. This funding is necessary to fulfill current statutory and regulatory requirements. This would include the requirements of HB 464. Section 1 of this bill may result in some programs being allowed to apply for statewide correspondence status only once every 10 years, but if the average student assessment in reading, writing, or mathematics for all students in a statewide correspondence program falls below the corresponding statewide average student assessment for two consecutive school years, an annual application is still required.

Prepared by: Barbara Thompson
 Division: Teaching & Learning Support
 Approved by: Ed McLain, Deputy Commissioner of Education
 Agency: Education & Early Development

Phone: 465-8727
 Date/Time: 4/15/02 8:43 AM
 Date: 4/15/2002

CS FOR HOUSE BILL NO. 464(RLS)
IN THE LEGISLATURE OF THE STATE OF ALASKA
TWENTY-SECOND LEGISLATURE - SECOND SESSION

BY THE HOUSE RULES COMMITTEE

Offered:
Referred:

Sponsor(s): REPRESENTATIVES JAMES, Dyson, Coghill, Kohring, Green, Foster, Fate, Wilson, Meyer

A BILL

FOR AN ACT ENTITLED

1 "An Act relating to statewide school district correspondence study and to centralized
2 correspondence study."

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

4 * Section 1. AS 14.07.050 is amended to read:

5 Sec. 14.07.050. Selection of textbooks. Textbooks for use in the public
6 schools of the state, including a district offered statewide correspondence study
7 program, shall be selected by district boards for district schools. Nothing in this
8 section precludes a correspondence study student, or the parent or guardian of a
9 correspondence study student, from privately obtaining or using textbooks or
10 curriculum material not provided by the school district.

11 * Sec. 2. AS 14.07 is amended by adding a new section to read:

12 Sec. 14.07.175. Powers relating to statewide correspondence study. (a)
13 The board may adopt regulations regarding statewide correspondence study programs.
14 A regulation applicable to a statewide correspondence study program conducted by

1 Alyeska Central School, a charter school, or a school district must

2 (1) specify that, once the department has approved an initial statewide
3 correspondence program application, the district is not required to submit a new
4 application more frequently than every five years unless the program is designated as
5 deficient or in crisis under AS 14.03.123(a);

6 (2) provide that an enrolled student shall be monitored by a certificated
7 teacher or appropriately trained personnel employed by the governing body; the
8 evaluation and grading of student work by certificated teachers must occur at least
9 quarterly, except as required by a student's individual education program under
10 AS 14.30.180 - 14.30.350 or as required in the education plan developed for the
11 student under 29 U.S.C. 794; and

12 (3) provide that the governing body conducting the correspondence
13 program has the duty and authority to establish procedures for

14 (A) the review, selection, and use of correspondence
15 curriculum materials before they are introduced into the correspondence
16 curriculum; and

17 (B) approving or disapproving home-designed courses.

18 (b) In this section, "district" has the meaning given in AS 14.17.990.

19 * Sec. 3. AS 14.08.111(9) is amended to read:

20 (9) establish procedures for the review and selection of all textbooks
21 and instructional materials, including textbooks and curriculum materials for
22 statewide correspondence programs, before they are introduced into the school
23 curriculum; the review includes a review for violations of AS 14.18.060; nothing in
24 this paragraph precludes a correspondence study student, or the parent or
25 guardian of a correspondence study student, from privately obtaining or using
26 textbooks or curriculum material not provided by the school district;

27 * Sec. 4. AS 14.14.090(7) is amended to read:

28 (7) establish procedures for the review and selection of all textbooks
29 and instructional materials, including textbooks and curriculum materials for
30 statewide correspondence programs, before they are introduced into the school
31 curriculum; the review includes a review for violations of AS 14.18.060; nothing in

1
2
3

this paragraph precludes a correspondence study student, or the parent or guardian of a correspondence study student, from privately obtaining or using textbooks or curriculum material not provided by the school district;

HB

506

FISCAL NOTE

STATE OF ALASKA
2002 LEGISLATIVE SESSION

Fiscal Note Number: 1
 Bill Version: HB 506
 (H) Publish Date: 4/2/02

Revision Date/Time (Note if correction): _____ Dept. Affected: Legislature
 Title "An Act relating to legislative immunity." BRU All
 Component All
 Sponsor House State Affairs Committee
 Requester House Judiciary Committee Component No. 783

Expenditures/Revenues (Thousands of Dollars)

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

OPERATING EXPENDITURES	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
Personal Services	0.0	0.0	0.0	0.0	0.0	0.0
Travel	0.0	0.0	0.0	0.0	0.0	0.0
Contractual	0.0	0.0	0.0	0.0	0.0	0.0
Supplies	0.0	0.0	0.0	0.0	0.0	0.0
Equipment	0.0	0.0	0.0	0.0	0.0	0.0
Land & Structures	0.0	0.0	0.0	0.0	0.0	0.0
Grants & Claims	0.0	0.0	0.0	0.0	0.0	0.0
Miscellaneous	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0

CAPITAL EXPENDITURES						
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CHANGE IN REVENUES ()						
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FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF	0.0	0.0	0.0	0.0	0.0	0.0
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type--Do not abbreviate)						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY2002) cost: 0.0

Check this box (X) if funding for this bill is included in the Governor's FY 2003 budget proposal:

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)

HB506 provides that Legislators and their staff may not be held to answer before any other tribunal for actions undertaken in the exercise of their legislative duties. Actions undertaken in the exercise of legislative duties include communications with other legislators, staff, and constituents, and investigatory activities on matters of legislative concern. HB506 also specifies time periods when a legislator is not subject to civil penalties and is privileged from arrest except for felony or breach of the peace.

HB 506 has zero fiscal impact on the Legislative Affairs Agency.

Prepared by: Karla Schofield, Deputy Director Phone 465-3852
 Division Legislative Affairs Agency Date/Time 3/28/02 3:31 PM
 Approved by: Pamela Varni, Executive Director Date 3/28/02
 Agency Legislative Affairs Agency

HB

508

FISCAL NOTE

STATE OF ALASKA
2002 LEGISLATIVE SESSION

Fiscal Note Number: 1
 Bill Version: HB 508
 (H) Publish Date: 3/26/02

Revision Date/Time (Note if correction): _____ Dept. Affected: Environmental Conservation
 Title PSP Reporting/Dive Fishery Association BRU Environmental Health
 Component Food Safety and Sanitation
 Sponsor House Resources
 Requester House Resources Component No. 2343

Expenditures/Revenues (Thousands of Dollars)

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

OPERATING EXPENDITURES	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
Personal Services	0.0	0.0	0.0	0.0	0.0	0.0
Travel	0.0	0.0	0.0	0.0	0.0	0.0
Contractual	0.0	0.0	0.0	0.0	0.0	0.0
Supplies	0.0	0.0	0.0	0.0	0.0	0.0
Equipment	0.0	0.0	0.0	0.0	0.0	0.0
Land & Structures	0.0	0.0	0.0	0.0	0.0	0.0
Grants & Claims	0.0	0.0	0.0	0.0	0.0	0.0
Miscellaneous	0.0	0.0	0.0	0.0	0.0	0.0
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
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CHANGE IN REVENUES ()	0.0	0.0	0.0	0.0	0.0	0.0
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FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts	0.0	0.0	0.0	0.0	0.0	0.0
1003 GF Match	0.0	0.0	0.0	0.0	0.0	0.0
1004 GF	0.0	0.0	0.0	0.0	0.0	0.0
1005 GF/Program Receipts	0.0	0.0	0.0	0.0	0.0	0.0
1037 GF/Mental Health	0.0	0.0	0.0	0.0	0.0	0.0
Other (Specify Type--Do not abbreviate)	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY2002) cost: 0.0
 Check this box (X) if funding for this bill is included in the Governor's FY 2003 budget proposal:

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)

Should the Southeast Alaska Regional Dive Fisheries Association's Annual Operating Plan identify activities to be conducted by the Department of Environmental Conservation, those activities will need to be funded from the Dive Fishery Assessment fund or some other appropriate state or federal funding source.

Prepared by: Mary Siroky - Legislative Liaison Phone (907) 465-5355
 Division: Statewide Public Services Date/Time 3/22/02 3:30 PM
 Approved by: Kurt Fredriksson - Deputy Commissioner Date 3/22/2002
 Agency: Department of Environmental Conservation

22-LS1642J
Utermohle
4/8/02

CS FOR HOUSE BILL NO. 508(RLS)

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-SECOND LEGISLATURE - SECOND SESSION

BY THE HOUSE RULES COMMITTEE

**Offered:
Referred:**

Sponsor(s): HOUSE RESOURCES COMMITTEE

A BILL

FOR AN ACT ENTITLED

1 "An Act relating to results of testing for paralytic shellfish poisoning and to
2 participation of the Department of Environmental Conservation in the development of
3 operating plans of qualified regional dive fishery development associations."

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

5 * **Section 1.** The uncodified law of the State of Alaska is amended by adding a new section
6 to read:

7 **LEGISLATIVE INTENT.** It is the intent of the legislature that the Department of
8 Environmental Conservation promptly distribute the results of testing conducted by or on
9 behalf of the department for paralytic shellfish poisoning for species harvested by members of
10 regional dive fishery development associations through an Internet web site of the department.

11 * **Sec. 2.** AS 43.76.200(b) is amended to read:

12 (b) The Department of Fish and Game shall develop an annual operating plan
13 with the cooperation of the regional dive fishery development association and the
14 Department of Environmental Conservation on or before a date specified by the

1 Department of Fish and Game. The qualified regional dive fishery development
2 association and the Department of Environmental Conservation shall cooperate
3 with the Department of Fish and Game in the development of the annual operating
4 plan. The annual operating plan must describe the activities for which the funding will
5 be expended, including identification of species and areas for which bioassessment
6 surveys will be conducted, a description of management and research activities to be
7 performed, planning for dive fisheries, and administrative activities of the association.
8 Funds appropriated to the Department of Fish and Game for funding of qualified
9 regional dive fishery development associations may not be disbursed by the
10 department or expended by the association, except for administration of the
11 association, unless the annual operating plan has been approved by the association and
12 the Department of Fish and Game. If an annual operating plan has not been approved
13 by the association and the Department of Fish and Game, the Department of Fish and
14 Game may not disburse and the association may not expend funds received from the
15 department for administration of the association in an amount that exceeds the amount
16 of administrative expenses authorized under the annual operating plan for the prior
17 fiscal year.

HB

519

FISCAL NOTE

STATE OF ALASKA
2002 LEGISLATIVE SESSION

Fiscal Note Number: 3
 Bill Version: CSHB 519(FIN)
 (H) Publish Date: 4/30/02

Revision Date/Time (Note if correction): _____ Dept. Affected: Revenue
 Title Natural Gas Pipeline BRU Administration and Support
Special Provisions Component Office of the Commissioner
 Sponsor House Rules Committee
 Requester House Finance Committee Component No. 123

Expenditures/Revenues (Thousands of Dollars)

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

OPERATING EXPENDITURES	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
Personal Services	83.0	83.0				
Travel	30.0	30.0				
Contractual	420.0	420.0				
Supplies	5.0	5.0				
Equipment	6.0					
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	544.0	538.0	0.0	0.0	0.0	0.0

CAPITAL EXPENDITURES						
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CHANGE IN REVENUES ()			(19,000.0)	(50,000.0)	(69,000.0)	(76,000.0)
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FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF	294.0	288.0				
1005 GF/Program Receipts						
1037 GF/Mental Health						
Statutorily Designated Receipts	250.0	250.0				
TOTAL	544.0	538.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY2002) cost: 0.0

Check this box (X) if funding for this bill is included in the Governor's FY 2003 budget proposal:

POSITIONS

Full-time	1	1				
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

See attached pages.

Prepared by: Larry Persily, Deputy Commissioner Phone 465-5469
 Division: Department of Revenue Date/Time 4/29/02 9:34 PM
 Approved by: Wilson Condon, Commissioner Date 4/29/2002
 Agency: Department of Revenue

CORRECTION

THE FOLLOWING DOCUMENT(S)
HAVE BEEN REFILMED TO
ASSURE LEGIBILITY OR PAGINATION



Central Microfilm Services
Department of Education & Early Development
State of Alaska

FISCAL NOTE

STATE OF ALASKA
2002 LEGISLATIVE SESSION

Fiscal Note Number: 3
 Bill Version: CSHB 519(FIN)
 (H) Publish Date: 4/30/02

Revision Date/Time (Note if correction): _____ Dept. Affected: Revenue
 Title Natural Gas Pipeline BRU Administration and Support
Special Provisions Component Office of the Commissioner
 Sponsor House Rules Committee
 Requester House Finance Committee Component No. 123

Expenditures/Revenues (Thousands of Dollars)

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

OPERATING EXPENDITURES	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
Personal Services	83.0	83.0				
Travel	30.0	30.0				
Contractual	420.0	420.0				
Supplies	5.0	5.0				
Equipment	6.0					
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	544.0	538.0	0.0	0.0	0.0	0.0

CAPITAL EXPENDITURES						
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CHANGE IN REVENUES ()			(19,000.0)	(50,000.0)	(69,000.0)	(76,000.0)
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FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF	294.0	288.0				
1005 GF/Program Receipts						
1037 GF/Mental Health						
Statutorily Designated Receipts	250.0	250.0				
TOTAL	544.0	538.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY2002) cost: 0.0

Check this box (X) if funding for this bill is included in the Governor's FY 2003 budget proposal:

POSITIONS

Full-time	1	1				
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

See attached pages.

Prepared by: Larry Persily, Deputy Commissioner Phone 465-5469
 Division Department of Revenue Date/Time 4/29/02 9:34 PM
 Approved by: Wilson Condon, Commissioner Date 4/29/2002
 Agency Department of Revenue

CSHB 519(FIN) - Department of Revenue

OVERVIEW – Stranded Gas Development Act and Alaska Railroad Bond Issuance

This legislation would reauthorize the Alaska Stranded Gas Development Act under AS 43.82. The act expired June 30, 2001, and this legislation would extend the application date for a project sponsor from June 30, 2001 to April 1, 2004.

The Stranded Gas Development Act, adopted by the 1998 Legislature, authorized the Commissioner of Revenue to negotiate a contract for payments in lieu of taxes with the developer of an LNG project to commercialize Alaska's North Slope natural gas reserves. No project sponsor applied under the act before it expired last year. The intent of the legislation was to provide a mechanism whereby the state could help promote commercialization of its natural gas reserves by structuring payments in lieu of taxes to help relieve the burden on a project sponsor in the early years, when cash flow is not positive, and in return receive a larger share of the revenues in later years after the project sponsor had recovered its heavy development costs. This also would allow the state to receive a greater share of the revenues in later years if gas prices increased.

The Stranded Gas Act allows for a negotiated contract for payments in lieu of one or some or all of the following taxes:

- Production taxes and surcharges
- Oil and gas production property taxes (state and municipal portions) under AS 43.56)
- Municipal property taxes
- Municipal special assessments
- Corporate income taxes
- Municipal sales and use taxes

This legislation (HB 519) expands the definition of a qualifying project under the Stranded Gas Act to include a natural gas pipeline to serve markets outside Alaska. In addition, this legislation clarifies the definition of a qualifying LNG project to include any project that serves Lower 48 states or overseas markets.

This legislation also would authorize the Alaska Railroad Corporation to issue up to \$17 billion in tax-exempt bonds to help finance the natural gas project. Although the Railroad Corporation would issue the bonds, the project sponsor(s) would be responsible for all of the debt and liable for 100% of the repayment of the bonds. Neither the Alaska Railroad Corporation nor the State of Alaska would be liable for the debt, which would be secured by the project developer(s) and the project's revenue stream. The tax-exempt financing would help reduce the project's cost of debt.

CSHB 519(FIN) - Department of Revenue

COST OF LEGISLATION

This fiscal note includes the following costs and assumptions leading up to the costs:

- We assume the state would receive a project application early in Fiscal 2003.
- Negotiating the contract for payments in lieu of taxes would start immediately, and would be completed with the conclusion of the 2004 legislative session.
- Project construction would start in Fiscal 2005 and continue through Fiscal 2008.
- Natural gas production would start in Fiscal 2009.
- A special assistant to the commissioner would be hired for Fiscal 2003 and 2004 to coordinate the Department of Revenue's work with the project sponsor and the affected communities. *(\$83,000 per year for total personnel costs)*
- Travel, supplies, contractual and equipment costs would be associated with the new position and with the department's overall effort to meet with the project applicant and officials of the affected communities. *(\$45,000 per year)*
- The contractual expenses would be incurred in two areas:
 1. Oil and gas economic and tax consultants to advise the department in negotiating with the project applicant and structuring a contract for payment in lieu of taxes that is both advantageous to the project and provides for a fair return to the state on the publicly owned resource. *(\$250,000 per year, to be reimbursed by the project applicant)*
 2. A Reimbursable Services Agreement with the Department of Law to assist in the legal issues involved in negotiating a contract in lieu of taxes. *(\$100,000 per year)*
- Because of the importance of this project to the state's economy and public finances, and the complexity of the bond issuance, it is important that the Railroad Corporation receive expert advice. The Department of Revenue proposes to transfer to the Railroad Corporation, via a Reimbursable Services Agreement, \$50,000 per year for the first two years to ensure that the corporation can contract with a financial adviser and bond counsel for this project. The Commissioner's Office also requests \$10,000 per year to cover the expenses of contracting with the state's financial adviser and bond counsel to make certain that the state's own interests, separate from those of the Railroad Corporation, are adequately considered and protected.

Money for the new position, contractual and supplies are requested from the general fund. That total is \$294,000 in Fiscal 2003 and \$288,000 in Fiscal 2004.

The cost of the independent consultants allowed under AS 43.82.240 to assist in the department's evaluation of the project application and in developing terms of the contract would be reimbursed by the applicant. The statute allows the commissioner to condition the contract on agreement by the applicant to reimburse the state for the expenses of the independent contractors. Those funds are requested as authority to receive and expend statutorily designated program receipts. Those costs are \$250,000 each in Fiscal 2003 and Fiscal 2004.

CSHB 519(FIN) - Department of Revenue

PROPERTY TAX WAIVER

Although the Stranded Gas Act calls for the commissioner to negotiate a contract for payments in lieu of taxes, including property taxes, this legislation waives all state and municipal property taxes on the project during construction and in the first 24 months of operation. This also would be imposed upon municipalities, which would not have any option in accepting or rejecting the 100% property tax waiver for the estimated six years total of construction and operation.

The department believes it is premature to waive an estimated \$763 million in municipal and state property taxes without first determining if the tax relief would be needed to help make the project economical. (The \$763 million estimate is based on the assumption that the tax waiver would apply only to the pipeline, compressor stations along the line, and a gas conditioning plant at Prudhoe Bay.) The department believes such a complete waiver of taxes could be giving away more than necessary to make the project economical. Proponents argue, however, that the state would not be waiving any taxes, since the line would not be built without the waiver.

The tax waiver also could apply to other facilities associated with the gasline. The department believes the language in this legislation is ambiguous and could result in oil and gas producers and/or the project developer reaching further than intended by this bill in an attempt to bring other facilities under the waiver provision. This fiscal note estimate of property tax revenues that would be lost does not include such facilities as additional gas conditioning plants, separation facilities, well conversion and Point Thomson field developments, but the department is concerned that owners of these properties also might construe the waiver to their benefit.

The Stranded Gas Act allows for tax relief or deferral, but the explicit mandate of the Act was to tailor the state's fiscal terms to the particular economics of the project and to maximize the benefit to the people of the state from the development. For example, the Act enables the state to give tax relief where needed to make the project economic, but then recoup its foregone revenue — or more — when the project's economics improve.

Under this bill, however, the state would get nothing in exchange for property tax relief. What happens if the price of gas goes up and the project developer profit enormously from the upside, but the state would lose out on sharing in that additional profit potential as "repayment" for any tax relief granted early in the development? Yes, the legislature could then raise taxes, but this is not the fiscal certainty that the state and potential project sponsors seek from this legislation.

The department recommends changing the waiver provision of this bill to (1) include an opportunity for the state to share in the potential future benefits from the project as part of the package for any tax relief, (2) provide an opportunity for the affected communities to participate in the tax relief discussions, and (3) a tighter definition of facilities eligible for the tax relief.

CSHB 519(FIN) - Department of Revenue

DECREASE IN STATE and MUNICIPAL REVENUES

Under Sections 4 and 5 of this legislation:

- The state would lose an estimated \$359 million or more in property tax revenues during construction and through the first 24 months of project operation.
- The Fairbanks North Star Borough and North Slope Borough would lose an estimated \$404 million or more in property tax revenues during construction and through the first 24 months of production.
- Although the state and the municipalities would never receive this property tax revenue if the project is not built, there is no opportunity to determine whether the tax relief provided by this bill is needed to make the project economic.
- The above property tax estimates are based on a natural gas project carrying North Slope gas to Alberta, for distribution to markets in the Lower 48 states. The estimate of lost revenues would be different and would include additional municipalities if the project was an LNG line to tidewater at Valdez or Cook Inlet.
- The affected municipalities would face higher expenses during the influx of construction workers and the resulting demand for increased school, police, road and various other public services. Meeting those demands without the ability to tax the project itself would put a severe strain on local resources. This issue is at least partially met by the section of the legislation that would establish a Natural Gas Pipeline Impact Assistance Fund at the Department of Community and Economic Development. Subject to future legislative appropriations, the department could use the fund to make state grants to affected municipalities.
- One option for localities would be raise property taxes on all other property within their jurisdiction. The state's share of property taxes on the Trans-Alaska Oil Pipeline and other oil and gas facilities already in place is reduced dollar for dollar by property taxes paid to local communities. Therefore increased municipal property taxes in the affected municipalities would reduce the state's oil and gas property tax receipts.

FISCAL NOTE

STATE OF ALASKA
2002 LEGISLATIVE SESSION

Fiscal Note Number: 4
 Bill Version: CSHB 519(FIN)
 (H) Publish Date: 5/1/02

Revision Date/Time (Note if correction): _____ Dept. Affected: _____
 Title Natural Gas Pipeline: Special Provisions BRU Alaska Railroad Corporation
 Component Alaska Railroad Corporation
 Sponsor House Rules
 Requester House Finance Component No. _____

Expenditures/Revenues (Thousands of Dollars)

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

OPERATING EXPENDITURES	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
Personal Services						
Travel						
Contractual			163,000.0			
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	0.0	0.0	163,000.0	0.0	0.0	0.0

CAPITAL EXPENDITURES						
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CHANGE IN REVENUES ()						
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FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
Bond proceeds			163,000.0			
TOTAL	0.0	0.0	163,000.0	0.0	0.0	0.0

Estimate of any current year (FY2002) cost: 0.0

Check this box (X) if funding for this bill is included in the Governor's FY 2003 budget proposal:

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

Please see second page.

Prepared by: Bill O'Leary, Vice President, Finance and Chief Financial Officer Phone (907) 265-2516
 Division Alaska Railroad Corporation Date/Time 4/30/02 3:14 PM
 Approved by: Deborah B. Sedwick, Commissioner Date 4/30/2002
 Agency Department of Community & Economic Development

FISCAL NOTE #4

STATE OF ALASKA
2002 LEGISLATIVE SESSION

BILL NO. CSHB 519(FIN)

ANALYSIS CONTINUATION

The bill authorizes the issuance of up to \$17 billion in revenue bonds by the Alaska Railroad Corporation (ARRC) to pay for 70% of the construction of a Natural Gas Pipeline. Based on current estimates, ARRC could issue \$14.265 billion in bonds as early as State Fiscal Year 2005. ARRC will act as a conduit for the issuance of these bonds to allow the debt to be issued as tax exempt. Through modeling, the tax exemption has been shown to reduce the cost of financing the project by over one billion dollars. The bonds would be solely secured by revenues generated by the pipeline. The Alaska Railroad will bear no liability and have no responsibility for repayment of the bonds.

The projected costs of issuing the bonds determined here will be paid with bond proceeds at closing. Anticipated professional services include those related to financial advisors, attorney's fees (bond, counsel, underwriters counsel, tax counsel, negotiating with producers), rating agencies, underwriters, printing, travel, public notices, and feasibility consultant. ARRC will front certain minor necessary reimbursable costs from corporation revenues.

For purposes of this fiscal note, it is assumed that bonds with a face value of \$14.265 billion will be issued in FY 2005. The bonds are expected to be issued with a 25 year term and for modeling purposes carry an interest rate of 6.5%. As the project will not generate revenue while under construction, the first two years of interest payments will be made with bond proceeds. Following construction, annual debt service will begin at approximately \$1.3 billion, growing to \$1.4 billion in year 6 and then gradually lowering to \$800 million in the final year. However, ultimately, issuance amounts, dates, term, and other significant variables will be dependent upon the financing structure determined by market conditions at the time of sale of the bonds.

FISCAL NOTE

STATE OF ALASKA
2002 LEGISLATIVE SESSION

Fiscal Note Number: 5
 Bill Version: CSHB 519(FIN)
 (H) Publish Date: 5/1/02

Revision Date/Time (Note if correction): 5/1/2002
 Title: Natural Gas Pipeline: Special Provisions

Dept. Affected: Natural Resources
 BRU: Oil and Gas Developmen
 Component: Oil and Gas Developmen

Sponsor: House Rules Committee
 Requester: House Rules

Component Number: 439

Expenditures/Revenues (Thousands of Dollars)

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

OPERATING EXPENDITURES	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
Personal Services	<i>See Note on Page 2:</i>					
Travel	40.0	40.0				
Contractual	200.0	200.0				
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	240.0	240.0	0.0	0.0	0.0	0.0

CAPITAL EXPENDITURES						
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CHANGE IN REVENUES ()			*See Below			
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FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF	40.0	40.0				
1005 GF/Program Receipts						
1037 GF/Mental Health						
1108 Stat. Des. Prog. Receipts	200.0	200.0				
TOTAL	240.0	240.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY2002) cost: none

Check this box (X) if funding for this bill is included in the Governor's FY2003 budget proposal:

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

This bill, in reviving the Alaska Stranded Gas Development Act, allows the state, with the concurrence of its North Slope oil and gas lessees, to: (1) establish a valuation methodology for the state's royalty share of gas production, and (2) modify existing requirements regarding the timing and notice of the state's right to take royalty in-kind or in-value.

Continued on next page.

Prepared by: Bonnie Robson
 Division: Oil and Gas
 Approved by: Pat Pourchot
 Agency: Natural Resources

Phone 269-8800
 Date/Time 1-May-02
 Date 1-May-02

ANALYSIS: (continued) - CSHB 519(FIN) - FN#5

* HB 519, by extending the Stranded Gas Act, authorizes negotiations to "establish" a valuation method for the state's royalty share of gas production from an approved qualified project. Actually, a valuation methodology already exists in the state's oil and gas leases. Generally, that methodology requires the payment of royalties on the highest of: (1) the market value of the gas; (2) the lessee's actual proceeds from the sale of its own gas; or (3) an average of the actual proceeds of other proximate lessees from the sale of their own gas. Consequently, any valuation methodology agreed to through negotiations conducted under HB 519 may result in the collection of lower royalties than would be available under the existing valuation methodology. In fact, every \$0.01/mcf difference in royalties due under alternative valuation methodologies results in a \$36.5 million impact on the state treasury over 20 years for a 4 bcf pipeline, and a \$54.7 million impact for a 6 bcf pipeline. However, it is impossible to determine at this time whether a new valuation methodology would be agreed to under HB 519 and, if so, whether and to what extent it would reduce royalty payments to the state.

DNR estimates that HB 519, if passed, would require at least \$480,000 in expenditures to address any application to "establish" a royalty valuation method, \$400,000 of which would be reimbursed over a 2-year period by the applicant for change in methodology. DNR will need to obtain access to and review extensive documentation pertaining to the economics of any proposal, then engage in complex negotiations with multiple sophisticated oil and gas corporations. This effort will require diversion of existing and proposed staff from their currently assigned duties, the retention of one or more experts, and travel. Currently, we anticipate that much of the work envisioned by this bill would fall on the Division's Petroleum Investments Manager, Petroleum Market Analyst, and a Commercial Analyst, as well as an additional Pipeline Commercial Analyst, requested in the FY03 budget. One or more experts would need to be retained to assure that royalty relief is not inadvertently or imprudently given, though the cost of that expert or those experts is to be borne by the applicant. Finally, significant sums would be needed for travel and document reproduction and indexing expenses.

The cost of the independent consultants allowed under AS 43.82.240 to assist in the evaluation of a request to change the royalty valuation methodology could be reimbursed by the applicant. The statute allows the state to condition any contract on agreement by the applicant to reimburse the state for the expenses of the independent contractors. Those funds are requested as authority to receive and expend statutorily designated program receipts. Those costs are \$200,000 each in Fiscal 2003 and Fiscal 2004.

NOTE:

The estimated costs are split into two years for purposes of this fiscal note, however it is difficult to determine how much would actually be required in each year. The solution is to fund the full amount (\$480,000) as a single appropriation with a two-year lapse date.