

ALASKA LEGISLATURE COMMITTEE FILES 2001-2002 8672

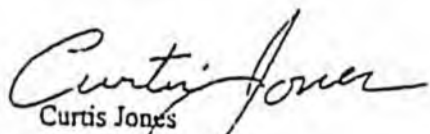
10420 HOUSE STATE AFFAIRS

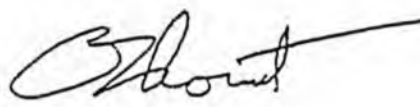
Items 1 through 9 must be addressed immediately and should be completed within 21 days of receipt of this report.

Within 18 months of receipt of this report, plans for compliance with items 10 and 11 shall be submitted and approved by CBJ Building Department and within 18 months thereafter the work shall be completed.

If you have any questions concerning this report and the code requirements stated herein, please call Curtis Jones at 789-2052 or Chris Roust at 586-5230.

Sincerely,

  
Curtis Jones  
Fire Marshal  
Capital City Fire/Rescue

  
Chris Roust  
Building Official  
City and Borough of Juneau

**HEBERT**  
Staff Writer  
(AP) — Interior  
Babbitt says declar-  
ational Wildlife  
monument to keep  
could be a mean-  
ingful. He urged Pres-  
ident Clinton to  
has gained a re-  
gional environmental-  
elect Bush has

targeted oil development in the refuge  
as a central part of his long-term en-  
ergy plan.

Environmental groups have been  
lobbying the White House to try to get  
Clinton to declare the refuge a national  
monument, arguing that would head  
off attempts by Congress to open the  
refuge's coastal plain to oil and gas  
drilling.

But Babbitt in an interview Thurs-  
day with The Associated Press said he

has recommended to the president that  
no such designation be considered for  
the arctic refuge, known commonly as  
ANWR.

"Monument designation doesn't  
add anything, absolutely nothing,"  
said Babbitt during a conversation in  
his Interior Department office. "It's a  
meaningless gesture. It adds no pro-  
tection that isn't already there."

Babbitt emphasized that he is "pas-  
sionately opposed to drilling" in the  
refuge, which he frequently has com-  
pared with the African Serengeti be-  
cause of its abundance of migrating  
birds, polar bears, musk ox, porcupine

caribou, grizzly bears and other  
wildlife.

The 1.5 mile long coastal plain of  
the refuge is believed to have large oil  
reserves and Bush has said repeatedly  
that the oil can be developed while  
protecting the environment.

Environmentalists, as well as Bab-  
bitt, dispute that.

Babbitt's nominated successor at  
Interior, former Colorado Attorney  
General Gale Norton, has made clear  
her support for drilling in the refuge  
as has Vice President Dick Cheney  
and incoming Energy Secretary  
Continued on Page 10

## Roads Policy

...rd feet of timber  
...ion (board feet).  
...ion is salvage or  
...g roads. It's not  
...So there simply  
...able to build new  
...h timber flowing  
...g roads to even  
...tem."

Forest Service budgets for roads  
have fallen sharply along with timber  
production, from \$297 million in 1988  
to \$187 million in 1998. Meanwhile,  
the backlog in road maintenance has  
grown to \$8.4 billion.

Logging traffic on national forests  
has gone from 42,000 vehicles a day  
Continued on Page 10

## Legislators Get Settled For Session's Opening

By CATHY BROWN  
Associated Press Writer

JUNEAU (AP) — There's not  
much winter in Alaska this year, but  
Steven Menard found some as he  
traveled to Juneau for the opening of  
the Legislature's session.

It's between Haines Junction and  
Haines.

Menard, a new aide for Rep. Scott  
Ogan, R-Palmer, was rushing to catch  
a Dec. 31 ferry in Haines to Juneau  
for the legislative session that starts  
Monday and ignored warnings not to  
travel the highway.

He found himself driving through a  
blizzard. "You couldn't see in front  
of your vehicle," Menard said Thurs-  
day. "It took me five hours to go 159  
miles."

He was the exception, though,  
among the legislators and aides trick-  
ling into Juneau for the legislative  
session. Some were delayed Wednes-  
day when high winds kept planes  
from landing in Juneau during the  
morning. But there weren't many of  
the winter driving horror stories that  
lawmakers and aides have brought  
with them to Juneau in previous years.

"The weather was the nicest I've  
ever seen it because we're not even  
having winter this year," said Hans  
Neidig, an aide to Sen. Lyda Green,  
R-Wasilla. He arrived early, on Dec.  
23.

He and other aides were busy  
Thursday with the annual unpacking  
of boxes and lining up of office sup-  
plies and furniture. Filing cabinets  
still sat in the entrance to the Capitol  
and piles of cardboard and bubble  
wrap lay against a marble sculpture of  
Alaska otters that greets the public as  
they enter the building.

A phone, fax machine and files lay  
on the floor in Anchorage Democrat  
Rep. Ethan Berkowitz's office, and  
the moose antlers hadn't yet been  
mounted on the wall in Ogan's office.

Ogan's staff have the extra chal-  
lenge this year of trying to make sure  
desks and equipment will be accessi-  
ble for him. He is recovering from a  
broken kneecap and will be using a  
combination of crutches and a  
wheelchair for a while, an aide, Dave  
Stancliff, said.

Freshmen lawmakers and new aides  
spent part of the day Thursday in  
training sessions.

Freshman Sen. Donny Olson, D-  
Nome, said the training, which in-  
cluded instruction on ethics, discrimi-  
nation law and hiring competent staff,  
was mostly about "how to stay out of  
trouble."

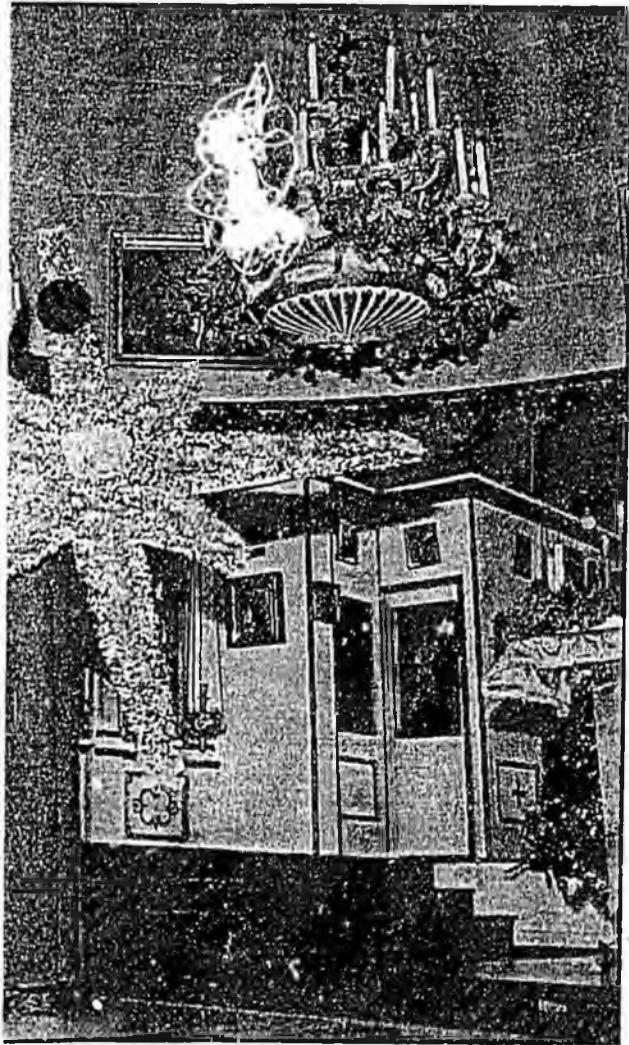
Rep. Lesil McGuire, a freshman  
legislator from Anchorage, was al-  
ready familiar with some of the train-  
ing, such as how to run a committee  
because she has worked in the Legis-  
lature as an aide.

She was still not used to some as-  
pects of being a lawmaker. When the  
phone rang in her office, she automati-  
cally picked up an aide's line.

"She said, 'You know you can use  
the phone in your office,'" McGuire  
said.

Legislators and aides are also mov-  
ing into temporary housing for the  
session, but most said they weren't  
having as many problems as in earlier  
years finding places to stay in  
Juneau's often tight housing market.

"I was surprised with the housing  
this year," said Sue Stancliff, an aide  
in McGuire's office. "There's so  
many places available."



weekend. The Orthodox church follows the Julian  
calendar, instead of the Gregorian calendar,  
which means that Christmas falls on Jan. 7. (Sen-  
tinel photo by James Poulson)

The Daily Sentinel  
SITKA ALASKA  
JAN 5, 2001 p. 1



# Go south ...

Web posted **Monday, November 20, 2000**

## Fog disrupts weekend flights

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AK Air expects to catch up on passengers by end of today

By **MIKE HINMAN**  
the JUNEAU EMPIRE

Just a few days before one of the busiest travel days of the year, Juneau's foggy weekend wreaked havoc on travelers' plans after several flights were canceled or delayed.

Alaska Airlines canceled two flights Saturday and five flights Sunday evening because of fog.

No flights landed after 2 p.m. Sunday until the fog cleared out this morning, allowing a flurry of flights to bring in stranded passengers. Some passengers were veterans of weather strandings, while others experienced it for the first time.

Julie and Harry Clark made it in after 38 hours of traveling, including a night spent in Ketchikan, Julie Clark said. The New York couple traveled from Raiatea, French Polynesia, to visit their son's family for a week.

"This isn't the first time I ended up in Ketchikan," Clark said. "This time I was prepared."

Clark had packed a toothbrush and other overnight items before she and her husband left the warmer climate and neither said they were surprised their luggage didn't make the 20-minute connection from another airline in Seattle.

Others on the plane were less prepared than the Clarks.

Brandon Larson said he had never been stranded before. The 19-year-old University of Alaska Southeast student was in Wenatchee, Wash., attending a student conference before making an unscheduled overnight stay in Ketchikan.

"It's not fun," Larson said.

Caught unprepared, the one thing he would have changed was "I'd stick my toothbrush in my carry-on," he said.

This morning, the line of people wanting to leave Juneau backed up almost to the commuter airline counters, said Chris Heine, customer service supervisor for Alaska Airlines in Juneau. Backlogged passengers should be cleared by the end of the day, he said.

Alaska Airlines started phasing in fog-busting navigation aids in 1997 to its Boeing 737-400 aircraft to help planes land with lower visibilities, said Jack Walsh, airline spokesman.

That didn't help when the weather socked in the airport Sunday, at times reducing visibility to a quarter of a mile, according to Steve Turner at the airport tower.

Weather delays, cancellations and missed transfers can all cause added stress on a short holiday, said Tom McKeaney, a senior travel agent for American Express One in Anchorage.

"Wednesday and Sunday are traditionally the two busiest travel days of the year," he said.

McKeaney and some passengers had advice on how to avoid or make holiday traveling less stressful:

- When booking a flight, allow extra time for connecting flights.
- Check in early.
- Don't pack anything you can't do without for 24 hours including medicine and toiletries.
- Know what your baggage looks like and when claiming it double check identification tags.
- Pack some snacks in case you are delayed.
- If the weather reports are poor for the originating airport, you might think about going to the airport earlier in the day and flying stand-by on an earlier flight.

Maybe most important is patience, which may be hard to come by with the added stress of a short holiday weekend such as Thanksgiving, McKeaney said.

"Carry some snacks, a good book and a good attitude," he added.

[Back to local headlines](#)

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## Fog keeps Juneau fuzzy, causes airport, road woes

By LORI THOMSON

THE JUNEAU EMPIRE

Thick fog socked in the capital city Monday night and today, keeping flights from taking off or landing at the Juneau Airport.

The dense fog also led to four accidents at Egan Drive and Vanderbilt Hill Road.

The National Weather Service issued a fog advisory because of the unusually low visibility that settled in around 10 p.m. Monday, said weather forecaster Andy King.

"At the airport we've been down to a quarter of a mile visibility this morning. That's getting down pretty low," King said.

Airplanes have trouble landing in less than two miles of visibility, according to the forecaster.

The two Alaska Airlines flights that normally arrive around 9:30

p.m. didn't make it in Monday. Both flights took off for Juneau and tried landings this morning.

One headed to Sitka for more fuel, while the other headed to Yakutat on its way to Anchorage, said Jerry Kvasnikoff of Alaska Airlines.

"The airport's pretty tough right now," Kvasnikoff said about 11:15 a.m.

Police attributed all four vehicle accidents near the intersection of Vanderbilt and Egan to fog.

The first and most serious collision was at about 7:30 a.m. A

man in a white pickup was driving too fast for weather conditions and couldn't see well, sliding through a red light and hitting two other vehicles turning from Vanderbilt onto Egan, said police Capt. Michael DeCapua.

A half-hour later, DeCapua said, fog and heavy traffic resulting from the first accident led to one vehicle rear-ending another near the same spot. A third accident occurred at about 9:30 a.m., again at the same place, "again, people driving too fast in the fog," DeCapua said.

He said traffic resulting from that accident contributed to a fourth collision about 10 minutes later.

Wind was expected to pick up by this afternoon, moving out the fog, according to King.

"It's unusual for it to stay down this long," King said. "Usually we have enough air motion it doesn't stay down for this long."

The fog is caused by a temperature inversion, in which warm air is above cold air that's heavier and cannot rise, he said. Temperatures this morning, for example, were about 40 degrees up on the Mount Roberts Tramway, but about 32 degrees at the airport.

Empire writer Miko Rogoway contributed to this report.

## Around the State

### Weather grounds Juneau flights

JUNEAU — About 550 Alaska Airlines passengers flew to Juneau and back again Thursday when their planes couldn't land due to low clouds and freezing rain.

Only one of 10 scheduled flights into and out of Juneau on Thursday made it through, said Alaska Airlines spokesman Jack Evans. Another flight was canceled and one was delayed this morning because the planes that usually overnight weren't able to land last night.

"The culprit that's been at play here as well as in Seattle is old man winter," Evans said.

Pilots must be able to see at least two miles when they are at 800 feet altitude to be able to land in Juneau, Evans said. The pilots usually make the determination whether or not to land as the plane comes in, based on whether they can see the landing strip lights.

# Fog fuels fight over legislative move

Anch. Daily 1/22/97

By DAVID GERMAIN  
The Associated Press

JUNEAU — Lawmakers who want to move the Alaska Legislature's session to Anchorage say fog that socked in Juneau's airport points out the need for a more accessible place to conduct state business.

A House committee had to cancel a hearing Tuesday on a key budget issue — a dollar-a-pack increase in cigarette taxes — because some legislators returning from a long weekend were stranded by bad weather the day before.

House Republicans also had to hold off a discussion Monday on an ethics case against a legislator because about 10 of their members could not get to the state capital.



Rep. Joe Green, R-Anchorage, said the latest weather problems point up the need for moving the Legislature's meeting place closer to Alaska's population center. Green has introduced a bill to shift the session to Anchorage.

"We've got more than half of the Legislature living in the area around Anchorage," Green said. "It would save us time and money because most of us are already there, and it's easier for people in the Bush to get to Anchorage than Juneau."

There are no roads into Juneau, and critics say the city's mountainous terrain and overcast skies delay too many flights.

"My wife does not like to fly down here. It's the white-knuckle ride," said Rep. Norm Rokeberg, R-Anchorage, who also has spon-

## City leaders want say in budget cuts

By DIRK MILLER  
The Associated Press

JUNEAU — Alaska's mayors and city officials say they want to work with lawmakers on cutting the state budget and finding money to repair roads and buildings.

Local leaders told lawmakers Tuesday that the way to resolve some of the problems facing Alaska is to form partnerships between the state and communities.

"Just like two people rowing a boat, unless both work together, the boat is going to go around in circles and never arrive at its destination," said Kodiak Mayor Carolyn Floyd. "In the case of balancing the state budget, unless the state and municipalities row together, the people of Alaska

**■ TIME OUT:** Proposed measure would give lawmakers a 10-day recess midway through the legislative session. B-2

may not arrive at a safe harbor or the journey may be too costly."

Floyd and other officials from the Alaska Conference of Mayors and the Alaska Municipal League delivered their comments to a handful of lawmakers in the state Capitol. The two organizations were meeting in Juneau this week.

Juneau Assembly member Rosemary Hagevig said the state's maintenance prob-

Please see Page B-3, CITIES

sored a bill to move the session to Anchorage.

Moving the Legislature is a perennial proposal, but opponents say it would be too expensive to set up work space in Anchorage for the 60 lawmakers and their staffs. In 1994, voters rejected a costly proposal to move the entire capital closer to Anchorage.

"In Alaska, you've just got to go with the flow of the weather," said House Minority Leader Gene Kubina, D-Valdez, who got stuck in Petersburg Monday and had to take a ferry back to Juneau. "I got a great ferry ride, a good night's sleep on board, a nice shower this morning, and here I am."

Rep. Ethan Berkowitz, D-Anchorage,

sworn in for his first term last week, said he also got stranded in Petersburg and hopped on the ferry at 2 a.m. Tuesday. He said Alaskans are used to such travel inconveniences.

"If you're going to make the weather the factor for moving the Legislature, then we'd have to move the whole state," Berkowitz said.

Alaska Airlines is outfitting the jets it flies in Alaska with new satellite-navigation equipment to cut down on weather delays and cancellations. The equipment should be installed on all the planes by the end of the year, said airline spokesman Lou Cancelloni.

## Moving legislature

Continued from page A-1

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K. Julian Daily  
News 22 Jun 1997

## Fog fuels debate

### Some lawmakers say Juneau inaccessible for session

By DAVID GERMAIN  
Associated Press Writer

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"In Alaska, you've just got to go with

See 'Moving Legislature,' page A-3



### ■ The long reach

Michael Jordan of the Chicago Bulls reaches for a rebound past Shawn Kemp of the Seattle Sonics during Sunday's NBA All Star game. The East beat the West 132-120. **Page 9**

### ■ Land for housing

City land in the Mendenhall Valley may soon be sold to first-time home-buyers. The Juneau Assembly is considering selling about 15 lots to middle-income people. **Page 3**

### ■ Comtech a success

About 300 people attended the second annual Comtech conference. Many at the Juneau communications and computer conference called it a good place to make connections. **Page 7**

### ■ Muslims riot in China

Crowds of young Muslims beat people to death and torched cars during pro-independence riots in western China. The riots were the worst fighting in the province of Xinjiang since the 1949 Communist takeover. **Page 6**

### ■ More near collisions

The Air Force extended its suspension of training flights to the Gulf of Mexico today after two new reports of close encounters between F-16s and commercial aircraft. Both the close encounters occurred Friday. **Page 5**

## STOCKS

The Dow Jones industrial average fell 49.26 to 6,806.54 today.

Declining issues outnumbered advancers by an 8-to-7 margin on the New York Stock Exchange, with 1,172 up, 1,340 down and 825 unchanged.



By JEANINE POHL SMITH

THE JUNEAU EMPIRE

A federal mediator will step in between ferry engineers and state negotiators, who are stalled in their contract talks.

The two parties agreed to the measure last week in an effort to prevent a strike that would shut

...thorize... claiming... new col... ing... association of M... strike... with the state... weren't... progress... mediator... represents... about... engine rooms... on the... Highway System... I think both par... ested in getting thi... solved at the ear...

Ferry system director Gary Hayden said the state made an offer and the union rejected it, although he wouldn't provide details.

The state and union made an

# Victorious Bears return

*Juneau Empire  
10 Feb  
1997*

## ■ It's Juneau's first men's basketball title in 15 years

By LORI THOMSON

THE JUNEAU EMPIRE

Fog blotted out a big welcoming party for the Crimson Bears on Sunday, but not the excitement over Juneau's first men's state basketball championship in 15 years.

Approximately 50 people waited at the Juneau Airport at about 9:30 a.m. Sunday to congratulate the Juneau-Douglas High School men's team for its 67-59 victory over the Colony Knights on Saturday night at Bartlett High School in Anchorage, according to Jim Hamey, coach of the women's basketball team.

The flight never made it in because of heavy fog, and the team spent the night in Sitka. Other Juneau fans were diverted to various Southeast locations.

"They were all still sort of on Cloud 9, but disappointed they weren't able to get back because they heard people were going to be at the airport," said Walter "Bud" Carpeneti, a Juneau judge whose son Christian is a sophomore on the team.

"It was certainly a very happy and satisfied group," said Carpeneti, who spent the day in Petersburg and then took an overnight ferry back to Juneau. "I'm not sure it totally set in. They were a little bit stunned."

The team, which hadn't won a state title since 1982, was ranked fifth in the state going into the men's 4A state basketball championships. This is the second consecutive year Juneau has brought home a state basketball title, with the women's team winning the championship last year.

Carpeneti was one of a number of parents who went to Anchorage for the tournament who arrived in Juneau early this morning after a tiring return trip.

"It was a little bit of a nightmare. But that's all right. We were smiling," said a groggy Becky Kemp, mother of Juneau senior Joe Kemp.

Becky Kemp and others were getting balloons.

Please see Homecoming, Page 8



**Blow-out:** Northwest Pipeline pers Nugents Corner, Wash. The flames

# Shifting s

## ■ Natural-gas pipelines explode in Washington over the weekend

THE SEATTLE TIMES

**SEATTLE** — Ground movement caused by saturated soil is being investigated as a possible cause of two spectacular natural-gas pipeline explosions in Western Washington over the weekend.

John Nicksich, spokesman for Northwest Pipeline, said it's too early to say conclusively, but that shifting soggy soil is one type of pressure that can cause an underground pipe to rupture.

# Homecoming...

Continued from Page 1

confetti and poppers to welcome the team, which was scheduled to arrive by airplane at 1 this afternoon.

Some who planned to greet the champions on Sunday said they were disappointed they won't be able to meet them today because of work or other commitments.

"That's too bad," said Mayor Dennis Egan, who went out to the airport on Sunday to welcome the players. "I would seriously like to get a great big fan (for the fog)."

The Juneau Assembly plans to issue a proclamation of appreciation and individually recognize everyone on the team at a March 3 meeting, Egan said. He said the assembly didn't have enough time to prepare the presentation for tonight's

meeting and the Feb. 17 meeting was canceled because of Presidents Day.

A school assembly to honor the team will be held, but hasn't been scheduled yet, said Cricket Curtain, administrative assistant in the high school activities office.

At least a dozen parents were in Anchorage for the state championships, Kemp said.

After the Saturday night game, an impromptu party was held in a hotel conference room, where the team and parents celebrated with pizza and a video of the game, parents said.

The Crimson Bears have had a strong following this year, with membership in the Fast Break Club, a booster organization, doubling to more than 40 this year, said Jeff Kemp, treasurer of the organization.

"I think people knew Juneau was due. And I think a lot of people were pulling for Coach (George) Houston," Kemp said.

# Ashes of Leary he

THE ASSOCIATED PRESS

**LOS ANGELES** - It's frontier for "Star Trek" Gene Roddenberry. For I Timothy Leary, it ma: strangest trip.

Their ashes were loa rocket strapped to the v jet Sunday that left Cali: Spain. The next de: space.

Their remains were those of 24 people pack stick-sized capsules an into a metal canister by formed Houston-based Inc.

The others include sp icist Gerard O'Neill, roc tist Krafft Ehrlicke and old Japanese boy.

Their families each p for the service, which i 25-character inscription choice on the small cap: launched next month.

The enterprising seemed a perfect fina' Roddenberry, who soug TV viewers and filmgoe final frontier" on the st outer space.

"Who better deserv into space than Gene R ry?" his widow, Maje: Roddenberry, said Sun

# Dog survives trap at Eagle River

By JEANINE POHL SMITH

THE JUNEAU EMPIRE

A Juneau dog caught in steel traps off a popular trail over the weekend prompted its owners to warn people to watch out for their pets.

Sue Hargis and Carol Anderson's 50-pound Norwegian elk-hound, Salty, was walking with them Saturday on the trail to the Boy Scout camp, near Eagle River, when it was caught in three connected leg-hold traps tethered to a tree.

Hargis said the traps were about 100 yards off the trail and baited with a crow. She didn't know who had set the traps.

No bones were broken, but Salty sustained a broken tooth and soft-tissue damage. Hargis and Anderson had to cut the wire connecting the traps and then carry the dog out in a sling with the three traps still attached to two of the dog's legs and its tail.

Hargis said she wanted to publicize the incident to let dog owners and trappers know that dogs

can be hurt.

"I feel incredibly lucky that our dog survived," she said. The trail to the camp isn't closed to trapping, except for the quarter-mile next to the mainland coast-line, said Trooper Andy Savland of the state Division of Fish and Wildlife Protection.

Hargis said it's a popular dog-walking trail and she is considering proposing it be closed when the Alaska Board of Game next considers such regulations.

# Mining hours...

Continued from Page 1

Knox gold mine employees near Fairbanks to work under federally established standards. He said the bill originally allowed any company to establish 12-hour shifts, if employees consented, but he twice narrowed the bill's scope to match his intent.

"The testimony that it was going to impact tens of thousands of people was never my intent," Therriault said.

The mining bill would not apply to major Juneau mines, since the Greens Creek silver, lead and gold mine on Admiralty Island is an un-

derground operation. The Kensington gold mine, which may reopen near Berners Bay, will also extract ore underground.

A bill passed last year allows 10-hour shifts at the face of those mines instead of eight, but overtime is paid for extra hours.

Therriault's bill allows shifts up to 12 hours, but requires overtime pay for employees working more than 40 hours a week. Officials with the Fort Knox mine have testified that 95 percent of its employees support the proposal, but union and other officials have expressed opposition.

Supporters of both mining bills note workers receive additional days off with the longer shifts, often a benefit at remote sites where commuting daily can take several hours. Longer shifts at Greens Creek mean workers can remain at on-site camps during the work week, before going home for extended time off.

Knowles spokeswoman Claire Richardson said Therriault's bill is designed largely to help Fort Knox officials control labor costs. Officials for the mine testified they want to switch workers from eight-hour shifts to 12-hour shifts, but overtime would make the move too expensive.

# Seattle f

Continued f

"We were surprised pointed that skim mil found in all the airports ined," said ADA spx Cathy Kapica. "With a routine part of man lives, we had hoped it been available everywh

Milwaukee Mitchel tional was one of two a did not have salads rea ble, and was one of fo not have low-fat or non It also didn't have muffins.

And while all the : fered fresh fruit, Milw

# Pipelines explode ...

a 30-inch-diameter pipe, to about 10 percent of normal

# O.J. ver

Continued f

# JUNEAU EMPIRE SPORTS

MONDAY, FEBRUARY 10, 1997 9



CLAUDIO SCACCINI / THE ASSOCIATED PRESS

...ses a gate on her to setting the fastest time in World Alpine Ski Championships in Sestriere.

## ok to Lindh

...clocked 1 by Michaela Dorfmeister of Austria in 1:43.95 and Regine Banchetta Cavagnoud of France in 1:44.12. The women's downhill, set for Saturday in this ski resort in the Italian Alps, has lost some of its glamor with the absence of American Picabo Street. Street, the gold medalist at the 1996 worlds in Sierra Nevada, Spain, and the silver medalist in the 1994 Olympics, injured a knee earlier in the season.

# State winners lost in the fog

■ *Weather reroutes celebration for Crimson Bears and their fans*

By MIKE STEWART

THE JUNEAU EMPIRE

PETERSBURG — Partying in Sitka and Petersburg wasn't the sort of celebration the Crimson Bears and their fans had in mind for Sunday.

But that's where they found themselves, thanks to the never-dependable Juneau weather. A heavy fog bank settled over the Gastineau Channel most of the day, diverting air traffic to various Southeast locations.

So, after winning its first 4A state championship in 15 years on Saturday night at Bartlett High School in Anchorage, the Crimson Bears men's team had to wait at least one more day to bring home the trophy that had eluded them for so long.

The Bears were scheduled to fly into Juneau this afternoon.

On Sunday, the team and many of its fans ended up in Sitka. Another handful of Juneau backers spent the day in Petersburg.

Juneau Fast Break Club booster Mike Bavard said the delay in getting home wouldn't dampen the thrill of the Bears state championship.

"I don't think it matters too much to them," Bavard said as he munched on pizza at the Harbor Lights restaurant in Petersburg. "They're on cloud nine. I'm sure they'd like to be enjoying the hubbub at home, but they're still caught up in the fun of it

The team's flight pattern was the only thing that didn't go according to plan over the weekend.

The Bears played near-perfect ball in recording wins over Soldotna on Thursday, 71-40, against top-ranked East High School in Friday's semifinals, 66-61, and over second-ranked Colony High School in the championship game on Saturday night at Bartlett High School, 67-59.

The East game was a classic. After losing to the T-birds in the state playoffs in 1993, 1994 and 1995, the Bears finally overcame the East mystique.

They refused to buckle under the suffocating full-court T-bird press, building a 14-point fourth-quarter lead before fending off a furious rally.

It was the first time since 1991 the Bears beat the T-birds, and the first time in George Houston's five-year stay as head coach.

Senior guard Travis Dybdahl said the team had a closed-door, no-coaches-allowed meeting after splitting a two-game series on Dec. 20-21 in Sitka to sort out the team's problems. This year's team lost more games than any other in Houston's reign. Then, before the state tournament, the team met again to renew its focus.

"I wasn't nervous (of East), but I was scared the other guys might not be ready, the younger guys," Dybdahl said. "They don't understand like the seniors how big this is. We wanted to be sure they came in prepared — and they played like they should."





That can't be the one: As a small plane comes in for a landing, people gather at the end of the Juneau Airport runway Tuesday, waiting to see the Army's C-5A land. Weather postponed the landing. MICHAEL PENN / THE JUNEAU EMPIRE

# Waiting for the big plane

By MIKE ROGOWAY

THE JUNEAU EMPIRE

It was close.

The U.S. Air Force C-5A Galaxy, the second biggest plane in the world, came near enough to Juneau on Tuesday evening that crowds gathered to witness its arrival could hear it. But cloudy conditions obscured the crew's view and they passed on Juneau, proceeding instead to Elmendorf Air Force Base in Anchorage.

The plane began its Tuesday ap-

proach before determining visibility was simply too poor to allow a landing, according to Allan Hesse, an administrative officer at the Juneau Airport.

"This is the first time the aircraft had ever been here, the first time the crew had been here, and it's a challenging approach," Hesse said. He said there was no point in taking unnecessary risks for a peacetime operation.

Still, airport and Alaska Army National Guard officials were hopeful the plane, nicknamed "Fat Albert," might

be able to land in better conditions today.

As of the Empire's midday deadline, the plane was expected to attempt a landing at about 1 p.m., said Maj. Gretchen Brand of the Army National Guard.

The plane, almost as long as a football field and with a wingspan more than 220 feet, would be the largest aircraft ever to visit Juneau. It is exceeded in size only by a Russian cargo plane.

# Fog delays, cancels flights

By MARK SABBATINI

THE JUNEAU EMPIRE

Fog has canceled virtually all flights at the Juneau Airport since Saturday night, although skies are expected to clear at least briefly tonight and Tuesday.

A total of 11 Alaska Airlines flights were canceled as of this morning, said airlines spokesman Jack Evans. He said only two flights departed, bound for Anchorage and Seattle, both at midday Sunday.

There were no Alaska Airline planes at

the airport this morning, meaning delays will continue even after the fog lifts, Evans added.

"The fog's bad enough that we haven't had any planes in," he said today from Seattle. "I know people see planes go out without passengers, but we haven't done that."

Virtually all other traffic at the airport has also come to standstill, said Airport Manager Dave Miller.

Please see Fogged, Page 8

## Fogged out...

Continued from Page 1

"It's not just the ceiling and visibility," he said. "The temperature has also been right at the freezing point. The smaller aircraft have an icing problem."

A cloud ceiling of about 800 feet and visibility of one to six miles is well below recently relaxed guidelines from the Federal Aviation Administration allowing a 3,000-foot ceiling and three-mile visibility at the airport, Miller said. He said officials hope new navigation equipment will eventually lower the permissible ceiling for Alaska Airlines to 300 feet and one mile of visibility.

"We would have been able to get in and out with this," he said.

An Alaska Airlines flight scheduled to depart from Anchorage last night finally took off at about 5

a.m. this morning with 103 passengers, but was forced to land in Sitka. Aboard were several legislators, reigniting plenty of comments about moving the Capitol.

"I've already heard comments laughingly made about it this morning and that the folks that are on the plane are saying 'Good, there's a lot of legislators - maybe they'll try to get (the session out of) Juneau,'" said state Sen. Georgianna Lincoln, a Rampart Democrat who was among those in Sitka this morning. "A lot of residents from Southeast who are here are saying 'Oh my God, a lot of legislators are here. There goes our Capitol move again.'"

"It's all being done in humor right now," she added.

Winds are expected to blow the fog out of the airport area by Tuesday, said Paul Shannon, a meteor-

ologist with the National Weather Service. He said another storm is likely to bring fog and snow by Tuesday afternoon, but that could change to rain - and consequently less fog - by Tuesday night.

The problem has been worse at some other Southeast airports.

Dale Garwood, a pilot for Skagway Air, said all flights beyond Haines except one on Saturday have been canceled since Tuesday because of fog. He said mail is being shipped on the ferry and bananas are in short supply since they are shipped by air. He also said a couple on vacation in Skagway has been waiting a week for luggage left in Juneau.

"But I did manage to bring the flowers for Valentine's Day with me when I came back Saturday, even though they were one day late," Garwood said.

# FISCAL NOTE

**STATE OF ALASKA**  
**2001 LEGISLATIVE SESSION**

Fiscal Note Number: \_\_\_\_\_  
 Bill Version: HB 1  
 ( ) Publish Date: \_\_\_\_\_

Revision Date/Time (Note if correction): \_\_\_\_\_ Dept. Affected: All  
 Title: Move Legislature to Anchorage BRU: \_\_\_\_\_  
 Component: \_\_\_\_\_

Sponsor: Rep. Rokeberg  
 Requester: House State Affairs Component Number: \_\_\_\_\_

**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						
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
<b>TOTAL OPERATING</b>	<b>0.0</b>	<b>0.0</b>	<b>2,308.3</b>	<b>2,116.7</b>	<b>2,150.7</b>	<b>2,185.6</b>

<b>CAPITAL EXPENDITURES</b>						
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<b>CHANGE IN REVENUES ( )</b>						
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**FUND SOURCE (Thousands of Dollars)**

FUND SOURCE	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type)						
<b>TOTAL</b>	<b>0.0</b>	<b>0.0</b>	<b>2,308.3</b>	<b>2,116.7</b>	<b>2,150.7</b>	<b>2,185.6</b>

Estimate of any current year (FY2001) 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	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
Part-time						
Temporary						

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

Calculation for Executive Branch only updated for inflation from previous bills (see attached spreadsheet). The most recent move the Legislature to Anchorage bill for which departments prepared individual fiscal notes was CSSSSB 19 (FIN) in 1995 which would have become effective in FY 98. These data have been updated for past and projected inflation in this fiscal note. Inflation history and projections provided by Department of Labor Research and Analysis Section and OMB respectively. The DHSS fiscal note was inadvertently misplaced and will be added as soon as available.

Prepared by: Brad Pierce, Senior Policy Analyst Phone 465-4677  
 Division: Governor's Office of Management and Budget Date/Time 2/12/01 3PM  
 Approved by: Annalee McConnell Date 02/12/2001  
 Agency: OMB

For distribution information, call the Governor's Legislative Office

## HB 1 Move Legislature to Anchorage Fiscal Note Calculation

	<u>FY 98</u>	<u>FY 99</u>	<u>FY 00</u>	<u>FY 01</u>	<u>FY 02</u>	<u>FY 03</u>	<u>FY 04</u>	<u>FY 05</u>	<u>FY 06</u>	<u>FY 07</u>
% Change Anchorage CPIU	1.5%	1.2%	1.2%	1.5%	1.5%	2.0%	2.0%	2.5%	2.5%	2.5%
Administration	81.7	74.7	74.7	74.7			91.0	85.3	85.3	85.3
Commerce	105.1	105.1	105.1	105.1			117.1	117.1	117.1	117.1
Corrections	59.9	59.9	59.9	59.9			66.7	66.7	66.7	66.7
Education	92.7	92.7	92.7	92.7			103.3	103.3	103.3	103.2
Environmental Conservation	86.7	89.3	92.0	94.7			96.6	99.0	101.5	104.0
Fish and Game	205.7	208.2	210.7	213.8			229.2	234.9	240.8	246.8
Governor	755.0	610.2	616.3	623.7			841.2	696.9	714.3	732.2
Health & Social Services							-	-	-	-
Labor	55.4	58.2	61.1	64.1			61.7	63.3	64.9	66.5
Law	318.7	258.7	258.7	258.7			355.1	295.4	295.4	295.4
Military and Veterans Affairs	8.0	8.0	8.0	8.0			8.7	8.7	8.7	8.7
Natural Resources	-	-	-	-			-	-	-	-
Public Safety Total	70.7	70.7	70.7	70.7			78.8	80.7	80.7	80.7
Revenue	145.4	151.2	157.3	163.5			162.0	166.1	170.2	174.5
Transportation and Public Facilities	86.9	90.7	94.6	98.8			96.8	99.2	101.7	104.3
<b>Total Executive Branch</b>	<b>2,071.9</b>	<b>1,877.6</b>	<b>1,901.8</b>	<b>1,928.4</b>			<b>2,308.3</b>	<b>2,116.7</b>	<b>2,150.7</b>	<b>2,185.6</b>

Prepared by OMB/BP 2/12/01

# FISCAL NOTE

STATE OF ALASKA  
2001 LEGISLATIVE SESSION

NO. \_\_\_\_\_  
BILL VERSION: HB 1  
PUBLISH DATE: \_\_\_\_\_

Revision Date: \_\_\_\_\_  
Title: "An Act relating to the location of legislative session; and providing for an effective...."  
Sponsor: Representative Rokeberg and Green  
Requestor: House State Affairs

Department Affected: Legislative Affairs Agency  
BRU: Legislative Council  
Component: Council and Subcommittees

COMPONENT SERIAL NO:

**Expenditures/Revenues: (Thousands of Dollars)**

OPERATING	FY 02	FY 03	FY 04	FY 05	FY 06	FY 07
PERSONAL SERVICES	0.0	0.0	0.0	0.0	0.0	0.0
TRAVEL	0.0	0.0	229.0	-353.5	-353.5	-353.5
CONTRACTUAL	0.0	0.0	3855.0	3305.4	3305.4	3305.4
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						
GRANTS, CLAIMS						
MISCELLANEOUS						
<b>TOTAL OPERATING</b>	<b>0.0</b>	<b>0.0</b>	<b>4084.0</b>	<b>2951.9</b>	<b>2951.9</b>	<b>2951.9</b>

<b>CAPITAL</b>	0.0	0.0	0.0	0.0	0.0	0.0
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<b>REVENUE FUND SOURCE</b>	0.0	0.0	0.0	0.0	0.0	0.0
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**FUNDING: (Thousands of Dollars)**

GENERAL FUND	0.0	0.0	4,084	2951.9	2951.9	2951.9
FEDERAL FUNDS						
OTHER FUND SOURCE						
<b>TOTAL</b>	<b>0.0</b>	<b>0.0</b>	<b>4,084</b>	<b>2951.9</b>	<b>2951.9</b>	<b>2951.9</b>

**POSITIONS:**

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

**Estimate of current year impact:**

ANALYSIS: (Attach a separate page if necessary) HB 1 relocates the Legislative Session to Anchorage beginning with the convening of the Second Session of the Twenty-Third Legislature. This fiscal note addresses the increased costs and savings to the Legislative Branch only. It does not quantify costs to the Executive Branch for travel to Anchorage to testify on bills or attend hearings. It also does not quantify costs the Executive Branch would incur or save by moving state agencies from leased space to the state owned Capitol (previously estimated renovation costs were over \$1,000,000). This fiscal note does not attempt to evaluate the various social and economic impacts on either Juneau or the Municipality of Anchorage.

Prepared By: Karla Schofield, Deputy Director  
Division: Administrative Services

*Karla Schofield*

Phone: 465-3852

Date: 02/12/01

Approved By: Pamela A. Varni, Executive Director  
Agency: Legislative Affairs Agency

*Pamela A. Varni*

Date: 2/12/01

Distribution (by preparer): Leg. Finance, Legislative Sponsor, Requestor, OMB, Gov. , & Impacted Agency(ies).

### Personal Services

There would be no increased personal services expenditures or savings. There would be a cost shifting of full time positions transferred from Juneau to the Municipality of Anchorage. In addition, session positions currently filled in Juneau would be transferred to Anchorage.

### Travel

#### *Legislator relocation expenses*

There would be a cost savings for relocating Legislators for the session. 28 Legislators reside within 50 miles of Anchorage and would not need to relocate. Currently, 3 Legislators reside within 50 miles of the Juneau Capitol and do not relocate. Most Legislators and their families permanently reside in areas closer to Anchorage than Juneau, which would result in reduced relocation costs due to the lesser distance traveled. Estimated annual Legislator relocation savings are \$101,656.

#### *Session Per Diem Expenses*

There would be a cost savings in session per diem if the Legislature convened in Anchorage if the federal government maintained the current per diem rate. The per diem rate fluctuates. Currently, the per diem rate is \$21 less in Anchorage than Juneau from the beginning of session until April 30th, and \$68 more in Anchorage than Juneau from May 1<sup>st</sup> until the end of session. Currently 3 Legislators living within 50 miles of the Capitol receive 75% of the federal per diem rate. Estimated annual session per diem costs savings are \$211,857.

#### *Moving the Legislature's Full Time Personnel*

All Legislative offices and positions now permanently located in Juneau will move to the Municipality of Anchorage except a portion of the Juneau Legislative Information Office, Juneau Legislator's offices, a portion of the Juneau Ombudsman's Office, and the Juneau Office of Legislative Budget and Audit. Approximately 65 Juneau-based employees who occupy permanent full time positions will be transferred to Anchorage to provide data processing, printshop, maintenance, supply, legal, research, personnel and financial support services for the Legislature in an efficient manner. We estimate 50 people and their families will elect to move at an estimated cost to the Legislature of \$582,500 (50 times \$11,640/family).

#### *Reduced Session Travel*

It is estimated that the Legislative Branch would see a \$40,000 decrease in travel costs during the session because the 28 Legislators located in the Anchorage area would not need to travel from Juneau to Anchorage to attend to legislative and constituent concerns. The 8 Legislators located in Southeast would need to return home occasionally and the 24 Legislators from other areas in the State would not need to travel as far.

## Contractual

### *Office Space*

In Juneau, the Legislature occupies state owned space in the Capitol (74,300 sq ft) and the Terry Miller Legislative Office Building (27,720 sq ft office, 4,000 sq ft gym), Community and Regional Affairs Building (5,600 sq ft), State Office Building (6,554 sq ft), and the Court Plaza Building (1,603 sq ft). The Legislature rents storage space in the Goldstein Building (4,085 sq ft). Excluding the gym in the Terry Miller Building, the Legislature occupies 119,862 square feet of space in Juneau. Lease expenses in Juneau equal \$28,000 annually for our leased storage space. The Legislature does not currently pay for any office space in Juneau.

Research reports produced by this Agency and others consistently recommend the Legislature acquire at least 140,000 square feet of office space if they relocate to Anchorage. This would allow for the necessary expansion of Legislators offices, many of which are very small, the enlargement of senate and house chambers, and larger committee rooms. The Legislature might wish to provide an office for visiting Executive Branch officials, enlarge the cafeteria area, or add other amenities.

If the Legislature relocated it would likely construct a legislative building at some point in the future. A capital appropriation would be needed to fund construction. This fiscal note does not include a cost for construction of a new legislative building.

As it would take some time to build a legislative building in Anchorage, the Legislature would be obliged to rent space in an existing building or buildings. At the present time, Anchorage does not have 140,000 square feet of Class A commercial or state owned space available in a single facility. Hopefully, the Legislature could rent office space in buildings within reasonable proximity to each other. According to Property and Facilities Management, Municipality of Anchorage, Class A space in Anchorage currently runs between \$2.10 and \$2.25/squarefoot. 140,000 square feet at \$2.25/sq ft is an annual lease expense of \$3,780,000.

The \$3,780,000 would be decreased by \$446,600, the annual Anchorage LIO office space rent, and \$28,000, the current Juneau storage rent. For purposes of this fiscal note we will assume the Legislature will lease existing space and the annual increase to the Legislature's lease budget will be \$3,305,400.

This cost would be offset somewhat if Executive Branch agencies moved into the state owned space vacated by the Legislature in the Capitol, the Community and Regional Affairs Building, and the Court Plaza Building. The Terry Miller Legislative Office Building may only be used for Legislative purposes and could not house Executive Branch agencies per the agreement with the City and Borough of Juneau. The Juneau LIO is already housed in the Terry Miller Legislative Office Building. The Juneau Ombudsman's Office, the Division of Legislative Audit and Juneau Legislator offices would be moved into the Terry Miller Legislative Office Building and would take up one or two floors. As this fiscal note does not address savings or costs to the Executive Branch we have not quantified costs to relocate State agencies into the vacated space or to remodel the space to meet the needs of the Executive Branch.

### *Communications*

The cost to the Legislature for installing our existing phones system with minimal additions in Anchorage would be approximately \$120,000. In addition, the Information Technology Group would have to increase the capacity of their switching equipment in Anchorage to support the increased number of phones. Usually, the department involved splits the cost of the upgrade with ITG. The Legislature's portion of the upgrade might be as high as \$46,000. If the building fell outside the ITG Anchorage phone boundaries, local charges would be accessed by the local telephone company.

The Legislature would probably need to wire a rental building for our computer network at a cost of \$200,000. The Legislative Affairs Agency traditionally does its own wiring. If a private contractor performed the work, the cost would be higher.

### *Freight*

The Legislative Affairs Agency estimates that moving the majority of Juneau based legislative offices would require 27 full size vans. According to Reliable Transfer, the cost of each van from Juneau to Anchorage, estimated at 12,000 pounds, each would be approximate \$6,800. 27 times \$6800 equals \$183,600.

This fiscal note addresses the main costs to the Legislative Branch to hold regular sessions in Anchorage. Some unforeseen costs and savings might only become apparent if the Legislature moved. One cost not included, which the Legislature would probably fund before deciding whether or not to move the Legislature, would be a study to determine the economic and social impact to the two communities. The cost of such a study is not included in this fiscal note.



Official Business

# Alaska State Legislature

## HOUSE OF REPRESENTATIVES

State Capitol  
Juneau, AK 99801-1182

**SPONSOR STATEMENT**  
**HOUSE BILL 1**  
**LEGISLATIVE SESSION LOCATION**  
By Representatives Norman Rokeberg and Joe Green

**TITLE:** "An Act relating to the location of legislative sessions; and providing for an effective date."

House Bill 1 calls for the legislature to convene in the Municipality of Anchorage beginning in 2004. HB 1 does not propose to move the capital; it only addresses where the legislature meets.

The majority of Alaska's population lives well away from the current committee hearings, floor sessions, and daily business of the legislature. Access to legislators is limited to only those Alaskans who can afford the expensive and arduous travel to Juneau. Special interest groups, lobbyists, and individuals with the financial means can access the legislature in its current remote location, but representative government demands that legislators hear from the majority of the citizens, not just the wealthy. No other state in the Union requires 95% of its legislators to relocate to a capitol inaccessible by road, thereby drastically reducing the potentially available pool of young legislators with families. The statewide teleconference system is a necessary improvement, but insufficient solution to this problem.

The Anchorage area offers the advantages of access, including superior transportation access by road, rail, or air; superior commercial office space available at competitive rates; larger and more varied residential space for legislators and staff; and a larger labor pool from which to draw professional and clerical staff. There are also outstanding visitor facilities for individuals and groups doing business with the legislature. Both the private and public sector will realize savings from such relocation.

The legislature is presently housed in an obsolete building, constructed in 1931. The State Capitol and surrounding parking are grossly inadequate and were not constructed for the primary purpose of conducting today's legislative activities. The building is clearly unsafe as it violates numerous life-safety and building codes. It does not have an automatic sprinkler system for fire suppression, has antiquated electrical service, fails to meet structural requirements for earthquakes, contains countless fire code violations, does not provide adequate access for the disabled community, and is inefficiently laid out and expensive to maintain and operate.

In Anchorage, where the bulk of the legislators live and conduct their business during the legislative interim, a leased building provides year round offices for 19 House members, 10 Senate members, the Ethics Committee, and the Anchorage Legislative Information Office. In addition, it is interesting to note that some legislators from rural areas also have their interim staff housed in the Anchorage Legislative Office Building.

Suitable premises for the chambers and associated office premises are or will be available in the Anchorage commercial real estate market. The cost of refitting the premises and constructing suitable chambers could be bargained for as part of the leasehold obligation.

There is concern regarding the potential loss of jobs in Juneau. This could be offset by Juneau's economy hosting more private businesses: tourism, timber, fishing, mining, etc., on a year-round basis rather than for only four to five months a year. There would still be a continued presence of the Executive branch of government. In the short term, the economy in Juneau may feel the effects of a legislative move, but a majority of Alaskans would benefit during the long term. It must be realized that the Juneau area is home to some of the best fishing, timber, and mining opportunities in the state -- if these opportunities could be accessed. Such natural resource industries could provide high-paying, long-term jobs. Juneau, the town mostly built on old mine tailings, now seems to have a problem letting a mine open and/or operate. Commercial fishing seems to be a thing of the past as most of the vessels tied up in the harbor appear to be pleasure-type craft, not the old work horses of the sea. A modest timber industry could certainly appear feasible in a proper regulatory environment.

In the most recent municipal election, by approximately 84 votes, the voters of Juneau defeated a proposal to connect Juneau to the Alaska Highway. Enhanced ferry service was the winner but the majority of Alaskans would like to be able to access their capital city without the extra costs of ferry or other transportation means. A road into Juneau would allow more people to visit Juneau on their schedule -- rather than that of the ferry or airline. Access to our legislature needs to be cost-effective and delivery of democracy to the majority of our citizens should be the highest priority of state policy.

Session per diem rates would be favorably impacted as well as the legislature's travel budget. Currently only three legislators are being paid at the lower per diem rate. By meeting in Anchorage more than 10 times as many legislators would be paid at this lower rate. In addition, tremendous moving costs could be avoided since more than half of the legislators live in, or commute to, Anchorage.

All in all, moving the legislative session to Anchorage would give the largest number of citizens the most access to their legislators. Your support of this legislation would be appreciated.

ED1:01/31/01



Official Business

# Alaska State Legislature

## HOUSE OF REPRESENTATIVES

State Capitol  
Juneau, AK 99801-1182

### SECTIONAL ANALYSIS HOUSE BILL 1 LEGISLATIVE SESSION LOCATION By Representatives Norman Rokeberg and Joe Green

**TITLE:** "An Act relating to the location of legislative sessions; and providing for an effective date."

- Sections 1 and 2:** Technical amendments reflecting the location change of the legislature.
- Section 3:** Provides that the legislature shall convene in the Municipality of Anchorage at an appropriate location in Anchorage arranged by the Legislative Council.
- Section 4:** Provides that the Chief Clerk and Senate Secretary shall remain at the location of the session until their work is completed as directed by the director of the council.
- Section 5:** Provides that a legislator is entitled to reimbursement for moving expenses from the member's place of residence to the Municipality of Anchorage.
- Section 6:** Provides that the Alaska Public Offices Commission's registration form for lobbyists must include any temporary residential and business addresses and telephone numbers in the Municipality of Anchorage during regular legislative sessions.
- Section 7:** Provides that the director of lobbyists shall be made available in a public place adjacent to the legislative chambers in the Municipality of Anchorage.
- Section 8:** Amends statute concerning annual student guests to delete reference to "in the capital".
- Section 9:** Amends statute concerning essay contest for annual student guests.
- Sections 10, 11 and 12:** Amend statutes concerning standards of conduct to reflect reference to city in which session is being held rather than "capital" city.
- Section 13:** Provides that the convening of the Second Session of the Twenty-Third Alaska State Legislature will take place in the Municipality of Anchorage.
- Section 14:** Effective date: July 1, 2003.

ED1:01/31/01

HALFORD

Page 1



# LEGISLATIVE TELECONFERENCE NETWORK SIGN-IN SHEET Constituent Meeting

BILL

SPONSOR: Chugiak-ER Delegation  
 SUBJECT: Town Mtg. - Chugiak Senior Ctr.  
 START/END TIME: 4-6pm DATE: 3-17-01

**PLEASE PRINT**

	Name	Address	Zip	Phone	Testify	Observe
1.	Crystal Kennedy	20255 Constitution Dr	99577	696-2320	✓	
2.	DARWIN D HANSON	24245 TEMPLE DR.	99567	688-6883		✓
3.	JESSE WOOTEN	16744 PARK PLACE EAGLE RIVER AK	99577	694-2711	✓	
4.	NELLA WOOTEN	" "	99577	694-2710		✓
5.	Willard Ferrell	17849 Sanctuary Dr FLK	99577	696-2570		
6.	BARBARA FERRELL	" " "	" "	" "		✓
7.	Tom Workman	Chugiak Center	99567	688-5694		✓
8.	ANNA STULL	490 No Moon #166 Wasilla	99547	373-7277		
9.	Thomas F. Blavka	14741 Old Glenn Hwy Chugiak	99567	688-2219	✓	
10.	Anna I Fairclough	P.O. Box 771112 Eagle River	99577	694-7090		✓
11.	Loren Craig	12732 Breckenridge Cr. E.R.	99577	694-6719		✓
12.	John S. Jones	23142 GREEN GARDEN	99567	655-2057	✓	
13.	RUTH COLLIER	20911 SUNSET	99567	688-9847		
14.	EDWARD O'HARA	Box 670505 CHUGIAK AK	99567			✓
15.	FINIS SHIELDS	Box 67-1087 Chugiak	99567	688-3263	✓	



# LEGISLATIVE TELECONFERENCE NETWORK SIGN-IN SHEET Constituent Meeting

SPONSOR: Chugiak - ER Delegation  
 SUBJECT: Town Mtg. - Chugiak Senior Ctr.  
 START/END TIME: 4-6 pm DATE: 3-17-01

PLEASE PRINT

	Name	Address	Zip	Phone	Testify	Observe
1	Lianna Ipanka	1704 Eagle River Rd.	99577	696-4446	✓	
2	NINA MIGNUSON	P.O. Box 670794	99567	188-4411	✓	
3	GARY DAVIS	24505 THUNDERBIRD DR	99567	688-4906	✓	
4	FLOYD GORI	17347 KAHILTNA DR	99557	694-6088		✓
5	Rachael Craig	P.O. Box 771631 E.R.	99577	696-2100		✓
6	CHRIS L. HOBBS	20 Box 77039 ER	99577	688-2456	L	
7	John Hakala	Po Box 771226 ER	99577	696-5490		✓
8	Debbie Osslander	Po Box 670772 Chugiak	99567	688-2308	✓	
9	Tom Davis	PO Box 72239	99567	688-6772		
10	POIS D. DALLAS	#122 CAUGIAC SENIOR	99567	688-7365	✓	
11	T.N. OBERMEYER	3000 DARTMOUTH		278-7453	✓	
12.	SARA BENSON	15607 Fish Hatchery Ranch, AK Eagle River 99577	99508	4413		✓
13.						
14.						
15.						



LEGISLATIVE TELECONFERENCE NETWORK  
SIGN-IN SHEET  
Constituent Meeting

SPONSOR: Chugiak - CR Delegation  
SUBJECT: Town Mtg. - Chugiak Genic r Ctr.  
START/END TIME: 4-6 pm DATE: 3-17-01

PLEASE PRINT

	Name	Address	Zip	Phone	Testify	Observe
1	<i>Richard C. Howe</i>	<i>Hwy 8.5 Box 9700</i>	<i>99557</i>	<i>6943327</i>		
2	<i>TED Kinney</i>	<i>P.O. Box 671074</i>	<i>99567</i>	<i>688-2477</i>		<input checked="" type="checkbox"/>
3.						
4.						
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LEGISLATIVE TELECONFERENCE NETWORK  
SIGN-IN SHEET  
Constituent Meeting

SPONSOR: Chugiak - SR Delegation  
SUBJECT: Town Mtg. - Chugiak Senior Ctr.  
START/END TIME: 4-6 pm DATE: 3-17-01

PLEASE PRINT

	Name	Address	Zip	Phone	Testify	Observe
1	Norman Dial	19537 Inlet View Chugiak	99567	688-2640		✓
2	Gail Dial	" " " "	" "	688-2640		✓
3.						
4.						
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**HB**

**3**



# ALASKA STATE LEGISLATURE

## House of Representatives

### COMMITTEE ASSIGNMENTS:

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

website: <http://www.akrepublicans.org/Rokeberg.htm>



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PHONE: (907) 269-0117  
FAX: (907) 269-0119

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

## Representative Norman Rokeberg

e-mail: [Representative\\_Norman\\_Rokeberg@legis.state.ak.us](mailto:Representative_Norman_Rokeberg@legis.state.ak.us)

### SPONSOR STATEMENT House Bill 3 DEPOSITS TO THE PERMANENT FUND

**Title:** An Act relating to deposits to the Alaska permanent fund from mineral lease rentals, royalties, royalty sale proceeds, net profit shares under AS 38.05.180(f) and (g), federal mineral revenue sharing payments received by the state from mineral leases, and bonuses received by the state from mineral leases, and limiting deposits from those sources to the 25 percent required under art IX, sec. 15, Constitution of the State of Alaska; and providing for an effective date.

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

HB 3 proposes changes to a statute -- not the Constitution. Article IX, Section 15 of Alaska's Constitution states that "at least twenty-five percent of all mineral lease rentals, royalties, royalty sale proceeds, federal mineral revenue sharing payments and bonuses received by the state shall be placed in a permanent fund." In 1980, the Legislature recognized excess revenues existed (GF revenues for FY 81 totaled \$4.07 billion) and wisely decided to raise the amount of royalties and bonuses deposited into the Permanent Fund to 50 percent. This surplus situation with state revenues no longer exists today.

It is time for the State to redirect the extra 25% to the General Fund. Passage of this bill would generate an estimated \$29 million (average) per year over the next thirteen years, and \$35.9 million in FY 2002 at an estimate \$24.28 per barrel average.

As the Prudhoe Bay and Kuparuk fields - which currently contribute to the General Fund at a 25 percent rate - diminish, we need to replace that production with the new, smaller satellite fields (for example, Alpine, and North Star) contributing at the same 25 percent rate not at a larger 50 percent rate.

While we can and should continue to make budget reductions, we would be foolish to ignore this source of General Fund revenue in solving our budget problem, as well as planning for the future development of Alaska's resources. Prudent fiscal management requires this statutory change. HB 3 is a small step in the right direction.

I strongly urge you to support this much needed, fiscally-prudent legislation.

ED1:02/12/01

# FISCAL NOTE

**STATE OF ALASKA**  
**2001 LEGISLATIVE SESSION**

Fiscal Note Number: \_\_\_\_\_  
 Bill Version: HB 3  
 () Publish Date: \_\_\_\_\_

Revision Date/Time (Note if correction): \_\_\_\_\_ Dept. Affected: Revenue  
 Title: Deposit to the Permanent Fund BRU: Revenue Operations  
 Component: Tax Division  
 Sponsor: Representative Rokeberg  
 Requester: House State Affairs 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						
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
<b>TOTAL OPERATING</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

<b>CAPITAL EXPENDITURES</b>						
-----------------------------	--	--	--	--	--	--

<b>CHANGE IN REVENUES ( )</b>	<b>40,000.0</b>	<b>43,700.0</b>	<b>40,200.0</b>	<b>38,600.0</b>	<b>27,200.0</b>	<b>24,900.0</b>
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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)						
<b>TOTAL</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

Estimate of any current year (FY2001) 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						
Part-time						
Temporary						

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

This legislation would amend AS 37.13.010(1) and (2) to reduce deposits to the Permanent Fund from 50% to 25% from all state mineral lease royalties, rentals and bonuses (including the state's share of such revenues from federal leases) from leases issued after Dec. 1, 1979.

The estimates in this fiscal note are based on oil price and production assumptions used in the Department of Revenue Fall 2000 forecast. The actual revenue effect to the general fund will be sensitive to future oil prices and production. Estimates of the effect of this statutory change suggest that the revenue increase to the state general fund will range between \$25 million and \$45 million per year assuming oil prices average \$15 to \$25 per barrel.

The increase in revenue to the general fund under this bill will mean an equal decrease in deposits to the Permanent Fund.

Prepared by: Charles Logson, Chief Economist Phone 907 269 1019  
 Division: Tax Division Date/Time 3/3/01 11:00 AM  
 Approved by: Larry Persily, Deputy Commissioner Date 03/05/2001  
 Agency: Department of Revenue

For distribution information, call the Governor's Legislative Office

# LEGISLATIVE RESEARCH REPORT

JANUARY 18, 2001



REPORT NUMBER 01.066

## ESTIMATED IMPACT ON THE GENERAL AND PERMANENT FUNDS IF PERMANENT FUND CONTRIBUTIONS WERE AT 25% OF MINERAL INCOME

PREPARED FOR REPRESENTATIVE NORMAN ROKEBERG

BY MARIA GLADZISZEWSKI, MANAGER

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

Over the past few years, we have sent you several tables showing actual contributions to the permanent fund from mineral revenues in past years as well as projected revenues from oil and gas royalties for future years. Again this year you asked for an update of material sent to you previously.

Table 1 provides projected future contributions and includes assumptions regarding oil prices and production. Charles Logsdon, petroleum economist at the Alaska Department of Revenue, provided the predictions using data from the department's fall 2000 forecast. As you can see from Table 1, the department's fall 2000 forecasting model predicts that if all deposits to the

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

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

permanent fund were at 25 percent of income, additional deposits to the General Fund would average about \$29 million annually over the next 13 years.

The Department of Revenue estimates contributions based on production forecasts on a field-by-field basis. As the table indicates, the model predicts oil prices at over \$30 per barrel for FY2001 with decreases thereafter. The oil prices assumed on the spreadsheet can be changed to roughly estimate the revenue impact on the Permanent and General Funds as oil prices vary.<sup>3</sup>

It should be noted that the small amount of mineral rent deposited into the state treasury, primarily from coal leases, is not included in the department's forecasting model. Future revenue from currently undiscovered sources of oil are also not included in these projections. **The additional general fund revenues predicted in Table 1, therefore, underestimate deposits to the extent that mineral rents and revenues from as yet undiscovered fields are not included in the figures.**

Table 2 presents actual contributions to the Permanent Fund from mineral royalties for the years 1990 through 2000. To enable you to look in one place for both past actual deposits and future predictions, Table 2 also repeats (from Table 1) the projected estimated gains to the General Fund for the years 2001 through 2013.

---

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

---

<sup>3</sup> Although possible, the Department of Revenue notes that the daily production numbers on the spreadsheet cannot be as easily changed. Changes to production figures depend on what fields are assumed to change from the baseline and would have to be re-estimated by the Department.

**TABLE 1**  
**Projected Contributions to the Permanent and General Funds**  
**If All Oil & Gas Leases Contributed to the Permanent Fund at 25 Percent of Income, FY 2001 - FY 2013**

Fiscal Year	A	B	C	D	E	F	G	H	I	J	K	L	M	N	O
	ANS West Coast Price	TAPS, Marine, Other Allowable Costs	Royalty Wellhead Price	Daily Production	Annual Value of Production for Royalties	Average Royalty Rate	North Slope Current Gross Royalties	Current Average Permanent Fund Contribution Rate	Current			If Permanent Fund Contributions @ 25%			
									Contribution to the Permanent Fund from North Slope Oil Royalties	Contribution to the General Fund from North Slope Oil Royalties	Contribution to the General Fund from North Slope Oil Bonuses	Contribution to the Permanent Fund from North Slope Oil Royalties	Contribution to the General Fund from North Slope Oil Royalties	Estimated Gain to the General Fund from Oil Royalties	Estimated Gain to the General Fund from Royalties & Bonuses
									Dollars	Millions of Dollars	Percent	Millions of Dollars	Percent	Millions of Dollars	
	A-B	C*D*365		E*F		G*H	G-I		G*25%	G-L	M-J	N+(.5*K)			
2001	\$30.17	\$5.39	\$24.78	1.001	\$9,051.3	13%	\$1,143.5	27%	\$312.6	\$830.9	\$2.2	\$285.9	\$857.6	\$26.7	\$30.2
2002	\$24.28	\$5.59	\$18.68	1.047	\$7,136.6	13%	\$897.2	29%	\$260.2	\$636.9	\$7.1	\$224.3	\$672.9	\$35.9	\$39.5
2003	\$22.06	\$5.46	\$16.60	1.061	\$6,424.6	13%	\$817.6	30%	\$244.6	\$573.1	\$4.0	\$204.4	\$613.2	\$40.2	\$43.8
2004	\$21.06	\$5.57	\$15.50	1.048	\$5,944.1	13%	\$751.5	30%	\$224.5	\$527.1	\$4.0	\$187.9	\$563.7	\$36.6	\$40.3
2005	\$20.38	\$5.66	\$14.72	1.065	\$5,722.4	12%	\$705.3	30%	\$211.5	\$493.8	\$4.0	\$176.3	\$529.0	\$35.1	\$38.9
2006	\$17.25	\$5.80	\$11.45	1.045	\$4,364.7	12%	\$526.4	30%	\$156.3	\$370.0	\$4.0	\$131.6	\$394.8	\$24.7	\$28.6
2007	\$17.25	\$5.93	\$11.32	1.015	\$4,194.2	12%	\$506.4	29%	\$149.3	\$357.1	\$4.0	\$126.6	\$379.8	\$22.7	\$26.7
2008	\$17.25	\$6.18	\$11.07	0.982	\$3,981.7	12%	\$483.0	29%	\$141.1	\$341.9	\$4.0	\$120.8	\$362.3	\$20.4	\$24.4
2009	\$17.25	\$6.41	\$10.84	0.949	\$3,757.6	12%	\$456.9	29%	\$131.6	\$325.3	\$4.0	\$114.2	\$342.7	\$17.3	\$21.4
2010	\$17.25	\$6.63	\$10.62	0.905	\$3,508.8	12%	\$427.7	29%	\$122.3	\$305.5	\$4.0	\$106.9	\$320.8	\$15.3	\$19.5
2011	\$17.25	\$7.09	\$10.16	0.841	\$3,120.5	12%	\$380.4	28%	\$107.7	\$272.6	\$4.0	\$95.1	\$285.3	\$12.6	\$16.8
2012	\$17.25	\$6.98	\$10.27	0.788	\$2,952.3	12%	\$360.2	28%	\$101.4	\$258.8	\$4.0	\$90.0	\$270.1	\$11.3	\$15.6
2013	\$17.25	\$7.29	\$9.96	0.741	\$2,694.2	12%	\$328.9	28%	\$92.1	\$236.8	\$4.0	\$82.2	\$246.7	\$9.9	\$14.2

\$29.0

**NOTES:** Alaska Statute 37.13.010 specifies that 50 percent of income from mineral leases issued after December 1, 1979, must be deposited into the Permanent Fund. For leases issued before December 1, 1979, required Permanent Fund contributions are 25 percent of income. This table projects future deposits to the Permanent and General Funds if contributions to the Permanent Fund from all leases were at 25 percent of income. Projections are based on the Alaska Department of Revenue's fall 2000 revenue forecast. Figures include oil and gas royalties and bonuses but the relatively small amount of rent from minerals is not included.

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

**TABLE 2**  
**Contributions to the Permanent and General Funds**  
**from Mineral Lease Income**  
(millions of dollars)

FISCAL YEAR	Current Deposits to the Permanent Fund From Mineral Leases			If PF Contributions @ 25%	
	Contributing at 25%	Contributing at 50%	TOTAL	Contributions to the Permanent Fund	Gain to the General Fund
1990 (a)	\$259.0	\$11.2	\$270.2	\$264.6	\$5.6
1991 (a)	\$431.0	\$16.7	\$447.7	\$439.3	\$8.4
1992 (a)	\$304.2	\$14.8	\$319.0	\$311.6	\$7.4
1993 (a)	\$269.6	\$13.2	\$282.8	\$276.2	\$6.6
1994 (a)	\$202.3	\$9.1	\$211.3	\$206.8	\$4.5
1995 (a)	\$267.8	\$10.6	\$278.4	\$273.1	\$5.3
1996 (a)	\$236.1	\$18.2	\$254.3	\$245.2	\$9.1
1997 (a)	\$281.2	\$39.4	\$320.7	\$300.9	\$19.7
1998 (a)	\$217.2	\$30.8	\$248.0	\$232.6	\$15.4
1999 (a)	\$136.6	\$21.4	\$158.0	\$147.3	\$10.7
2000 (a)	\$227.9	\$45.2	\$273.1	\$250.5	\$22.6
2001 (b)			\$312.6	\$285.9	\$26.7
2002 (b)			\$260.2	\$224.3	\$35.9
2003 (b)			\$244.6	\$204.4	\$40.2
2004 (b)			\$224.5	\$187.9	\$36.6
2005 (b)			\$211.5	\$176.3	\$35.1
2006 (b)			\$156.3	\$131.6	\$24.7
2007 (b)			\$149.3	\$126.6	\$22.7
2008 (b)			\$141.1	\$120.8	\$20.4
2009 (b)			\$131.6	\$114.2	\$17.3
2010 (b)			\$122.3	\$106.9	\$15.3
2011 (b)			\$107.7	\$95.1	\$12.6
2012 (b)			\$101.4	\$90.0	\$11.3
2013 (b)			\$92.1	\$82.2	\$9.9

**NOTES:**

(a) Actual deposits--data compiled from actual transfers to the Permanent Fund that were listed in the state's accounting system (AKSAS) and in the "Additional Due the Permanent Fund for Post Chapter 13 Leases" reports. **Included are all mineral royalties, rents, interest, and bonus bids.**

(b) Projected deposits--based on the Alaska Department of Revenue's fall 2000 revenue forecast (same data as presented in Table 1). **Included are oil and gas royalties and bonuses.**

**SOURCES:**

- (a) Alaska Department of Natural Resources, SSD/FSS (Cathy Poulos).
- (b) Alaska Department of Revenue, Oil & Gas Audit Division (Charles Logsdon).

# ALASKA STATE LEGISLATURE

## House of Representatives

### COMMITTEE ASSIGNMENTS:

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

website: <http://www.akrepublicans.org/Rokeberg.htm>



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

## Representative Norman Rokeberg

e-mail: [Representative\\_Norman\\_Rokeberg@legis.state.ak.us](mailto:Representative_Norman_Rokeberg@legis.state.ak.us)

February 12, 2001

Dear Colleague

HB 3 returns the percentage of all mineral lease royalties and bonuses deposited into the Permanent Fund to the constitutionally mandated 25 percent (please see the attached bill packet).

HB 3 would provide Alaska with a source of General Fund revenue while staying true to the purposes of the Permanent Fund and the intent of our constitution. As the table in your bill packet indicates, passing this bill would generate an extra \$29 million average per year, plus bonus revenues, over the next thirteen years.

This plan will not only help our present economic situation, it will also allow for prudent management of potential future mineral royalties. As the wealth of older fields such as Prudhoe and Kuparuk diminish, we must look at replacing them with newer fields such as Alpine to ensure continued return to the corpus of the Permanent Fund. ["String of Pearls" replaces lift in Prudhoe.]

- This plan is only a tile in the mosaic of any plan to fill the fiscal gap.
- Alaska cannot save its way to prosperity.

It is time for the legislature to begin taking steps to help solve our budget problem, and to plan for the potential future development of Alaska's resources. HB 3 can help us succeed on both fronts and I would appreciate your support on this legislation. However, I do not want to move this legislation without sufficient votes for passage.

Some members have voiced concerns that this bill could be construed as a raid on the Permanent Fund. **It Is Not!** It is a statutory change that recognizes the fiscal reality of our state without raising taxes. Therefore, please get back to me if you need additional information or if I have your support.

Thanks for your consideration,

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

Norman Rokeberg  
State Representative  
House District 11

Attachments

PS: Look at the attached revenue impacts.

# FISCAL NOTE

**STATE OF ALASKA**  
**2001 LEGISLATIVE SESSION**

Fiscal Note Number: \_\_\_\_\_  
 Bill Version: HB 3  
 ( ) Publish Date: \_\_\_\_\_

Revision Date/Time (Note if correction): \_\_\_\_\_ Dept. Affected: Revenue  
 Title: Deposit to the Permanent Fund BRU: Revenue Operations  
 Component: Tax Division  
 Sponsor: Representative Rokeberg  
 Requester: House State Affairs 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						
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
<b>TOTAL OPERATING</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

<b>CAPITAL EXPENDITURES</b>						
-----------------------------	--	--	--	--	--	--

<b>CHANGE IN REVENUES ( )</b>	<b>40,000.0</b>	<b>43,700.0</b>	<b>40,200.0</b>	<b>38,600.0</b>	<b>27,200.0</b>	<b>24,900.0</b>
-------------------------------	-----------------	-----------------	-----------------	-----------------	-----------------	-----------------

**FUND SOURCE** (Thousands of Dollars)

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

Estimate of any current year (FY2001) 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						
Part-time						
Temporary						

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

This legislation would amend AS 37.13.010(1) and (2) to reduce deposits to the Permanent Fund from 50% to 25% from all state mineral lease royalties, rentals and bonuses (including the state's share of such revenues from federal leases) from leases issued after Dec. 1, 1979.

The estimates in this fiscal note are based on oil price and production assumptions used in the Department of Revenue Fall 2000 forecast. The actual revenue effect to the general fund will be sensitive to future oil prices and production. Estimates of the effect of this statutory change suggest that the revenue increase to the state general fund will range between \$25 million and \$45 million per year assuming oil prices average \$15 to \$25 per barrel.

The increase in revenue to the general fund under this bill will mean an equal decrease in deposits to the Permanent Fund.

Prepared by: Charles Logson, Chief Economist Phone 907 269 1019  
 Division: Tax Division Date/Time 3/3/01 11:00 AM  
 Approved by: Larry Persily, Deputy Commissioner Date 03/05/2001  
 Agency: Department of Revenue

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

**MEMORANDUM**

**DATE:** March 6, 2001

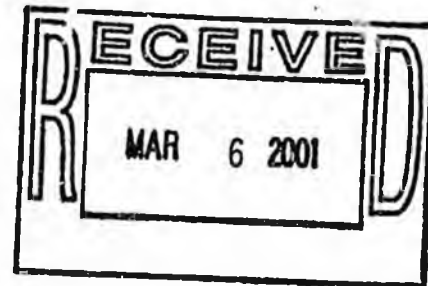
**TO:** Representative Norman Rokeberg

**FROM:** Jim Kelly, Director of Communications *JK*

**SUBJECT:** Impact of HB 3 on Oil Contributions and Per Capita Dividends (REVISED)

You have asked about the impact of House Bill 3 on future oil contributions and per capita dividends. Based on our financial analysis (see attached), the impact on oil contributions will total \$333 million between 2001-2011. The impact on per capita dividends will total \$90 over the same 11 years. Please let me know if you have any additional questions.

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

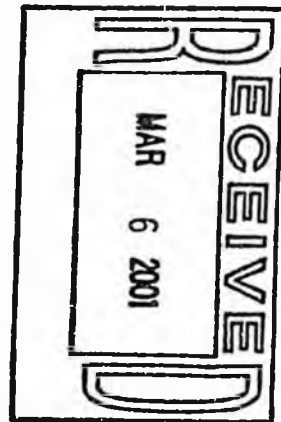




## Analysis of HB 3 Alaska Permanent Fund Corporation

Based on December 2000 APFC Financial Projections  
(\$ in millions)

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	TOTALS
Oil contributions Status Quo	343	291	271	249	235	179	171	162	162	142	128	2,325
Oil Contributions (HB 3)	313	250	226	208	196	150	144	138	131	123	112	1,992
Difference (HB 3 - Status Quo)	30	42	44	41	39	29	27	24	21	19	16	333
Per Capita Dividends Status Quo	\$1,930	\$1,910	\$1,820	\$1,750	\$1,760	\$1,890	\$1,960	\$2,040	\$2,120	\$2,200	\$2,280	\$21,660
Per Capita Dividends (HB 3)	\$1,930	\$1,910	\$1,820	\$1,750	\$1,760	\$1,880	\$1,950	\$2,030	\$2,100	\$2,180	\$2,280	\$21,570
Difference (HB 3 - Status Quo)	\$0	\$0	\$0	\$0	\$0	\$10	\$10	\$10	\$20	\$20	\$20	\$90



PERMANENT FUND CONTRIBUTION RATES FOR NORTH SLOPE OIL FIELDS  
ALASKA DEPT. OF REVENUE FALL 1999 FORECAST

25% Contributing Oil Fields	FY 2000 est. Prod. Millions Bbl/Day	Permanent Fund Average Contribution	Greater than 25% Contributing Oil Fields	FY 2000 est. Prod. Millions Bbl/Day	Permanent Fund Average Contribution
PRUDHOE	0.5640	0.25	SAMBUCA	0.0000	0.3125
PBU SATELLITE	0.0008	0.25	MIDNIGHT SUN	0.0048	0.3125
WEST SAK	0.0038	0.25	PBU SCHRADER	0.0000	0.5000
KUP SATELLITE	0.0000	0.25	KUPARUK	0.2220	0.2514
SCHRADER BLUFF	0.0059	0.25	TABASCO	0.0105	0.3125
LISBURNE	0.0070	0.25	TARN	0.0216	0.4065
NIAKUK	0.0270	0.25	MILNE POINT	0.0477	0.3088
EST BEACH/NORTH PRUDHOE	0.0020	0.25	SAG RIVER	0.0001	0.3890
KNOWN ONSHORE	0.0000	0.25	ENDICOTT/SAGDELTA	0.0470	0.2895
CRU SATELLITE	0.0000	0.25	EIDER	0.0013	0.3125
			BADAMI	0.0013	0.5000
			PT MCINTYRE	0.0930	0.2982
			N PBAY STATE	0.0000	0.3125
			ALPINE	0.0000	0.3250
			NORTH STAR	0.0000	0.5000
			LIBERTY	0.0000	0.5000
			KNOWN OFFSHORE	0.0000	0.3890
			NPRA	0.0000	0.5000
			ANWR	0.0000	0.5000
Estimated Total Production (Million Bbl/day)	0.6106			0.4493	

permto25%

Rates by Field

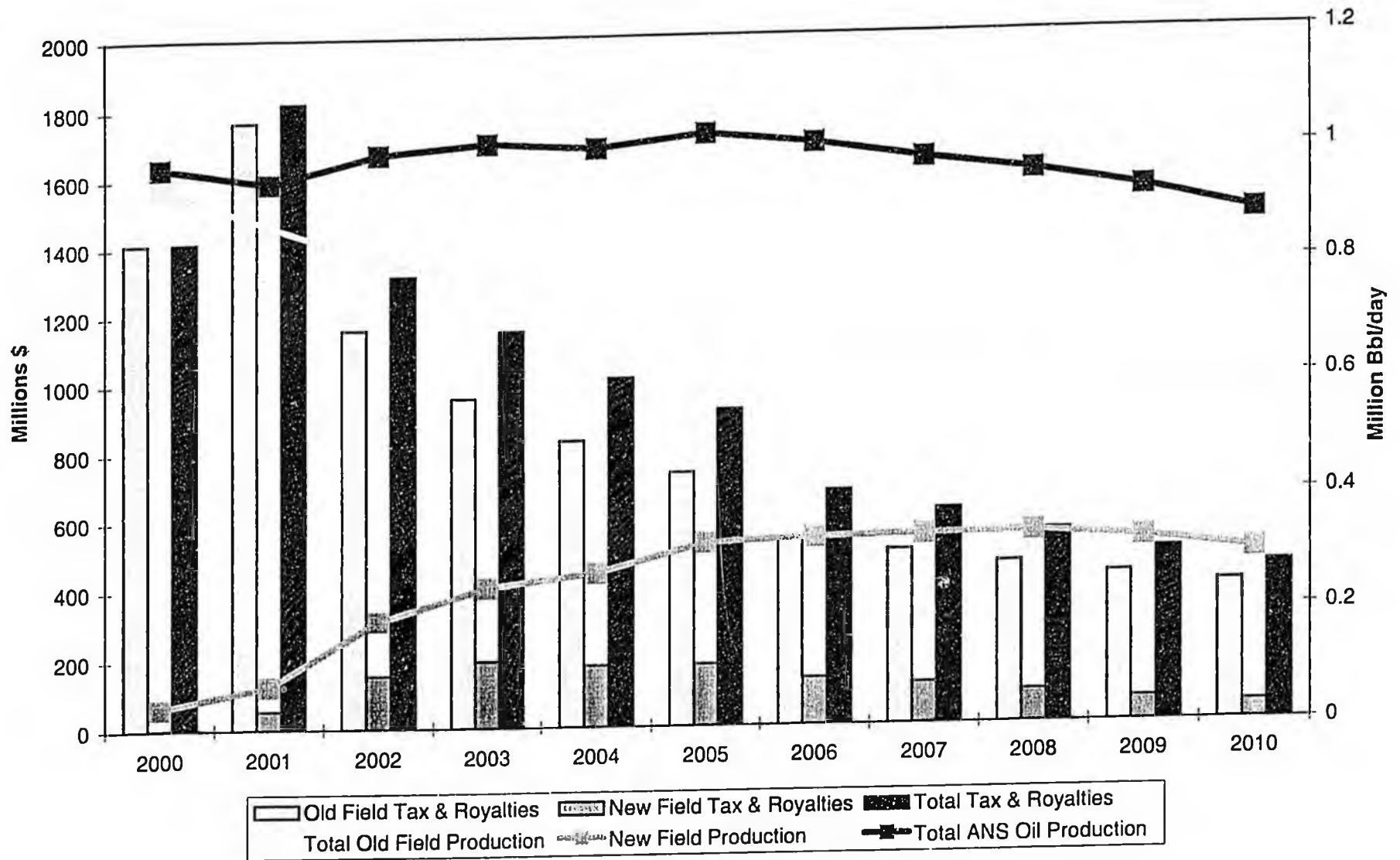
To: Representative Norm Rokeberg  
From: Chuck Logsdon 269 1019  
Date: March 8, 2001  
Subject: HB 3

The charts in this workbook hopefully shed more light on the revenue impact of HB 3 on the General Fund

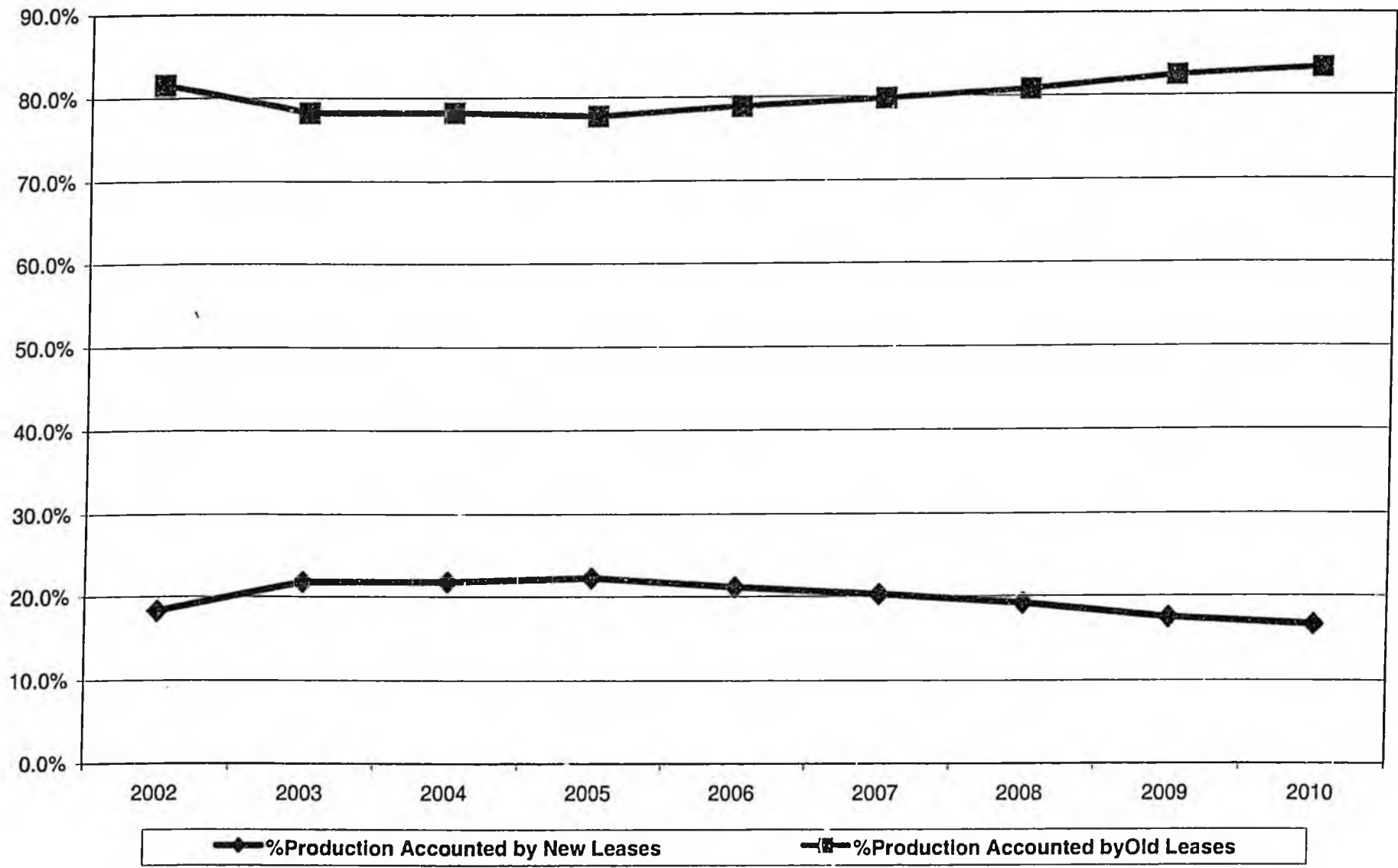
Basically I would summarize as follows:

1. Your percentage calculation method is right on, however, old leases still have most of the remaining reserves.
2. As the first chart in this workbook demonstrates, older fields will continue to dominate production and although some of these old fields contain new leases, the impact of HB 3 begins to decline after 2006 or so.
3. Another factor is that although production from new leases will grow as Alpine and Northstar come on line a good chunk of the new production will come from production in satellite fields that are mostly old leases within existing unitized production.
4. Also, as we discussed, current exploration activity that will lead to new production is focused in NPRA with a 50% passthrough and attendant spending issues.
5. Finally, with respect to ANWR, once again the passthrough may be watered down to 50%. And even with leasing in 2004 we would not expect production to commence until at least 2008 (recall that Alpine was discovered in late Fall 1995)
6. At this point the biggest impact of HB 3 is very much associated with Alpine and Northstar startup and eventually they will begin to deplete. Any other major new lease oil is probably 5 to 10 years off or longer.

### ANS Oil Production, Severance Tax, and Gross Royalties by Old Field & New Field



**Alaska North Slope Oil Production from Old (25% to PF) and New (50% to PF) Leases**



**Royalties to the General Fund with and without HB3 Based on the Department of Revenue  
Fall 2000 Forecast Assumptions**

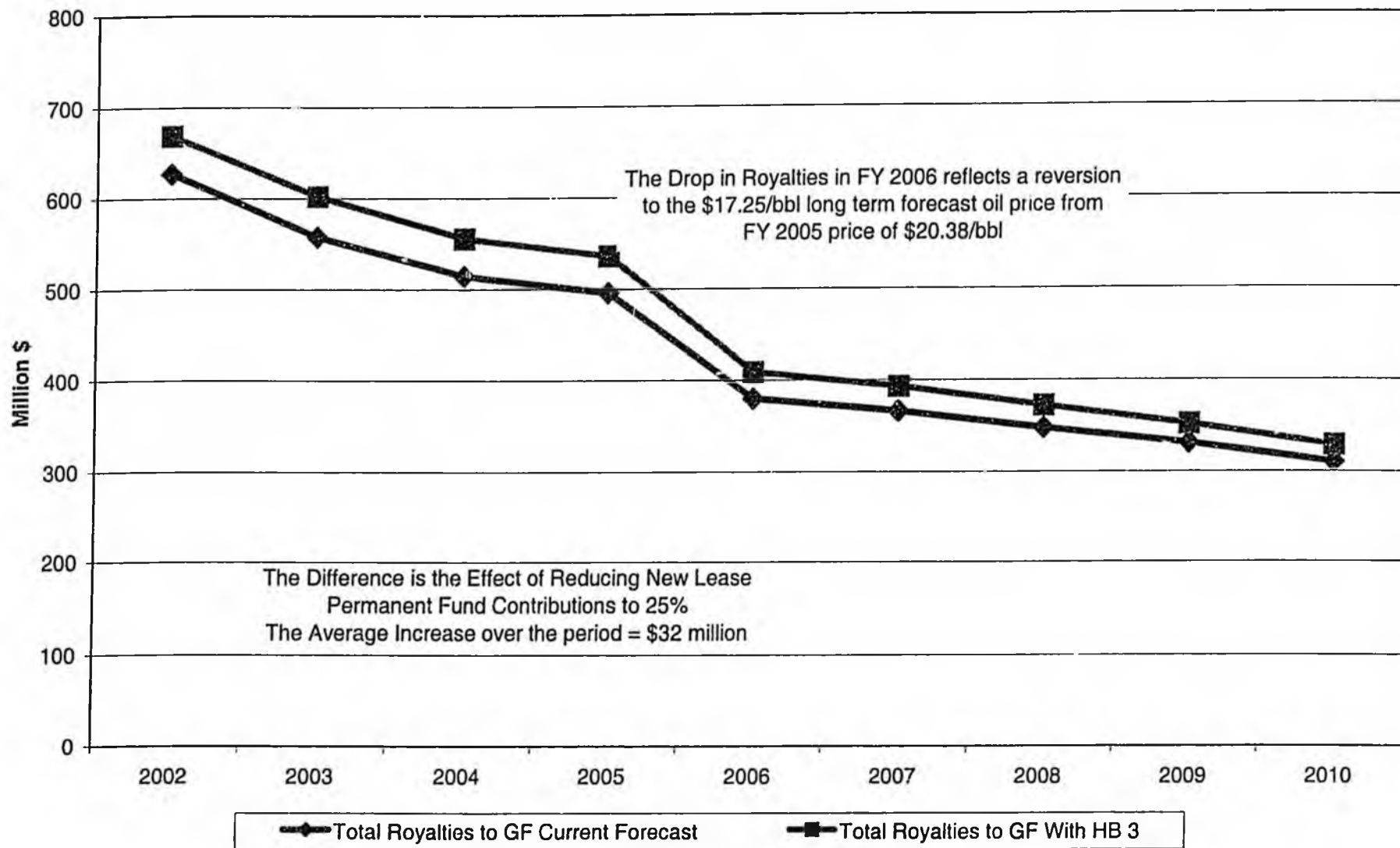


Illustration of the Impact of HB 7 on General Fund Cash Flow--Old Fields and New Fields

Fiscal Year	PF&School Contrib Factor	New Field added	Old Lease Field	Production	%Production Accounted by New Leases
2002	0.703103324	0.041896676	0.25	1.0465414	18.4%
2003	0.694508904	0.050491096	0.25	1.0606472	21.8%
2004	0.69450984	0.05049016	0.25	1.048123	21.8%
2005	0.693317175	0.051682825	0.25	1.0651355	22.2%
2006	0.696129383	0.048870617	0.25	1.044703	21.1%
2007	0.698334516	0.046665484	0.25	1.015462	20.3%
2008	0.701018528	0.043981472	0.25	0.9824487	19.2%
2009	0.705226978	0.039773022	0.25	0.9493457	17.6%
2010	0.707366276	0.037633724	0.25	0.9049174	16.7%
2011	0.709910131	0.035089869	0.25	0.8412912	15.7%
2012	0.711680382	0.033319618	0.25	0.7875885	15.0%
2013	0.713084528	0.031915472	0.25	0.7408647	14.5%
2014	0.714088504	0.030911496	0.25	0.6997715	14.1%
2015	0.715066902	0.029933098	0.25	0.6747432	13.7%
2016	0.715799615	0.029200385	0.25	0.6404166	13.4%
2017	0.716524084	0.028475916	0.25	0.6090952	13.1%
2018	0.717192771	0.027807229	0.25	0.5806707	12.9%
2019	0.717897908	0.027102092	0.25	0.553975	12.6%
2020	0.718606646	0.026393354	0.25	0.5289799	12.3%

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2019  
2020

%Production Accounted by Old Leases	NPRA	Forecast		Market Price		Market Price	
		Market Price	Forecast Price Wellhead	Market Price Scenario #1	Wellhead #1	Scenario #2	Wellhead #2
81.6%		24.28	18.68	25.00	19.41	18	12.41
78.2%		22.06	16.60	25.00	19.54	18	12.54
78.2%		21.06	15.50	25.00	19.43	18	12.43
77.8%		20.38	14.72	25.00	19.34	18	12.34
78.9%	0.035	17.25	11.45	25.00	19.20	18	12.20
79.7%	0.046	17.25	11.32	25.00	19.07	18	12.07
80.8%	0.081	17.25	11.07	25.00	18.82	18	11.82
82.4%	0.092	17.25	10.84	25.00	18.59	18	11.59
83.3%	0.127	17.25	10.62	25.00	18.37	18	11.37
84.3%	0.138	17.25	10.16	25.00	17.91	18	10.91
85.0%	0.133	17.25	10.27	25.00	18.02	18	11.02
85.5%	0.129	17.25	9.96	25.00	17.71	18	10.71
85.9%	0.12	17.25	9.65	25.00	17.40	18	10.40
86.3%	0.112	17.25	9.38	25.00	17.13	18	10.13
86.6%	0.99	17.25	9.05	25.00	16.80	18	9.80
86.9%	0.877	17.25	8.68	25.00	16.43	18	9.43
87.1%	0.767	17.25	8.31	25.00	16.06	18	9.06
87.4%	0.68	17.25	7.91	25.00	15.66	18	8.66
87.7%	0.59	17.25	7.50	25.00	15.25	18	8.25

Total Royalties to GF Current Forecast	Total Royalties to GF With HB 3	NPRA Effect Current GF	NPRA Effect Current GF
627.21852	669.0537141	41.83519	
557.743411	602.3069772	44.56357	
514.618511	555.7356579	41.11715	
495.92648	536.4714357	40.54496	
379.802223	409.1935697	29.39135	
366.117736	393.2045401	27.0868	
347.950819	372.2627917	24.31197	
331.244095	352.2739192	21.02982	
310.253886	328.9532204	18.69933	
276.910393	292.5480078	15.63761	
262.639437	276.7809577	14.14152	
240.150245	252.5825156	12.43227	
220.035039	231.1005964	11.06556	
206.402113	216.4854571	10.08334	
189.182331	198.2213251	9.038994	
172.830216	180.9048226	8.074606	
157.823082	165.0425324	7.219451	
143.508648	149.9258948	6.417246	
130.064921	135.7469918	5.682071	

Avg 2002-2010 32.06446

# ALASKA STATE LEGISLATURE

## House of Representatives

COMMITTEE ASSIGNMENTS:

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

website: <http://www.akrepublicans.org/Rokeberg.htm>



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### Representative Norman Rokeberg

e-mail: [Representative\\_Norman\\_Rokeberg@legis.state.ak.us](mailto:Representative_Norman_Rokeberg@legis.state.ak.us)

#### MEMORANDUM

**To:** The Honorable John Coghill  
Chairman, House State Affairs Committee

**From:** Representative Norman Rokeberg 

**Date:** February 27, 2001

**Re:** HB 3

I would request that HB 3 be scheduled before your committee for a hearing.

Attached are:

1. HB 3
2. Sponsor Statement
3. Legislative Research Report, "Estimated Impact on the General and Permanent Funds if Permanent Fund Contributions were at 25% of Mineral Income"
4. February 12, 2001 letter from me to my legislative colleagues explaining HB 3

Thank you for your consideration of this request

PERMANENT FUND CONTRIBUTION RATES FOR NORTH SLOPE OIL FIELDS  
ALASKA DEPT. OF REVENUE FALL 1999 FORECAST

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Estimated Total Production (Million Bbl/day)	0.6106			0.4493	

permto25%

Rates by Field

**HB**

**10**

# Alaska State Legislature

Representative Carl E. Moses



Member  
House Finance Committee



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## SPONSOR STATEMENT / SECTIONAL ANALYSIS

### HB 10 - Reinstatement of Personal Income Tax

HB 10 would reimpose a state income tax on individuals and fiduciaries (estates and trusts), last in effect in Alaska in 1980. This measure could be considered a valid component of a long-range fiscal plan, and produce income in excess of \$200 million. Its cost of administration has been estimated at nearly \$3 million. The 1995 Long Range Financial Planning Commission recommended an income tax by 2002, as well as other taxes, and the use of Permanent Fund income.

There are no issues of constitutionality in bringing back the state income tax. This measure certainly responds to the need for additional state income, given that we continue deficit spending, and it has appeal to those who believe non-resident workers should pay a fair share of their burden here. It would not extend to any Native Corporation not currently paying a corporate state income tax.

The core of the bill reinstates the individual income tax in Tax Year 2002, makes it a percentage of a taxpayer's federal income tax liability, sets up a graduated scale of taxation in the first three years, provides requirements for completing filing and employer responsibilities, makes provisions for amended filings, and identifies those credits made available to the taxpayer.

The major tax credit of interest to Alaskans would be the tax credit authorized for real and personal property taxes paid to a municipality in this state.

**Bill Section 1:** Adds to AS 43.20.011, a provision for taxation of income of every resident, non-resident, and part-year resident individual, and fiduciary of the state. It apportions the tax liability of a non-resident, part-year resident, or fiduciary, as that percentage of their federal income tax liability that is their taxable income from sources within Alaska only.

In Tax Year 2002 (from December 31, 2001 through December 31, 2002), HB 20 sets a level of federal income tax liability at \$20,000 as the bar below which, state income tax liability would be 5% of that liability, and above which, state income tax liability would be 10%.

In Tax Year 2003 (from December 31, 2002 through December 31, 2003), the bill changes the rates as follows: When federal income tax liability is less than \$20,000, the rate would go up to 10%, and when it is greater than \$20,000, the rate would go up to 15%.

Finally, in Tax Year 2004 and beyond, the state income tax rates become 15% and 20% respectively, for federal income tax liabilities either below or above the \$20,000 level.

This section further requires the use of one's federal filing status as that which would be used in determining the state income tax liability.

**Bill Section 2:** Directs individuals and fiduciaries to file state income tax returns with the Department of Revenue, the same as corporations and others required to file under 26 U.S.C., the Internal Revenue Code. Provides for allowable credits and payments against the state tax liability.

**Bill Section 3:** Makes the state income tax liability due and payable at the same time and in the same manner as one's federal income tax liability.

**Bill Section 4:** Requires the taxpayer to file with the state tax return, a copy of one's federal tax return for the same tax year. It also provides for the filing of an amended return within sixty-days following a final determination of the taxpayer's federal tax liability if such should be in question.

**Bill Section 5:** Adds a new section to AS 43.20 that determines income sources within the state, which would be used in calculating the tax liabilities of non-residents, part-year resident, or fiduciaries. For purposes of calculating taxable income attributable to sources from within the state, this section also provides that deductions and adjustments are allowed only to the extent they are connected with income that arises from sources within the state.

**Bill Section 6:** Adds salaries or wages, and estate or trust income, to the list of income sources considered as being from within the state.

**Bill Section 7:** Provides for the Multistate Tax Compact, AS 43.19, as the authority in determining what income is taxable from entities which do business both partly inside and partly outside of the state.

**Bill Section 8:** Establishes credits against the state income tax liability, beginning with the amount of payroll tax withheld. It further establishes a credit for resident and part-year resident taxpayers for income taxes imposed by other U.S. states or territories, on income that is also subject to tax in Alaska. This credit, though, is limited to the proportion of the tax calculated under Alaska statute that relates to the percentage the taxable income from the other jurisdiction bears to the taxpayer's total taxable income. The credit may not exceed actual taxes paid to the other jurisdiction.

A significant tax credit authorized under this bill allows a tax deduction for real and personal property taxes paid to a municipality in this state.

**Bill Section 9:** Provides for corporate taxpayers to allocate and apportion their net income as provided in the Multistate Tax Compact, on income taxable both inside and outside the state, or on income from other sources both inside and outside Alaska.

**Bill Section 10:** Establishes tax collection procedures, including deduction and withholding features, and instructions to employers regarding tax payments and other information due the

state. This section also describes the employer reporting responsibilities to the employee, annually by January 31<sup>st</sup>, or thirty days after termination, of wages/compensation, and withholding/ deductions. Employer penalties are also referenced as those in AS 43.05.220 (d).

This section also establishes the authority for governmental entities to deduct and withhold from employees, as well as return deductions and withholdings to those officers of the entities appropriately designated to perform these functions. The terms "employee," "employer," and "wages," are defined by the Internal Revenue Code under 26 U.S.C.

**Bill Section 11:** Imposes the same time limitations on the assessment and collection of taxes by the state, and the same exceptions, as is found in the Internal Revenue Code, 26 U.S.C. 6501-6503. When additional tax is due from changes made to a federal income tax return, the period of limitation begins from the date that one files an amended return. If no amended return is filed, the additional tax due may be assessed at any time.

**Bill Section 12:** Defines the terms "bank," "corporation," "fiduciary," "fiscal year," "individual," "Internal Revenue Code," "resident," "non-resident," "part-year resident," "person," "taxable year," "taxpayer," and "trade or business."

**Bill Section 13:** Identifies necessary repealers.

Alaska State Legislature  
Representative Carl E. Moses



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Member  
House Finance Committee

MEMORANDUM

DATE: March 12, 2001

TO: Rp. John Coghill, Chairman  
House State Affairs Committee

FROM: Rp. Carl E. Moses *CEM*  
House District 40

SUBJ: Request for Hearing - HB 10

I would like to request a committee hearing on HB 10, the bill to reimpose a state income tax. This measure would affect individuals and fiduciaries (trusts and estates). At its core, HB 10 would reinstitute the income tax as a percent of one's federal income tax liability, would involve employer withholding, and would offer credits for certain taxpayers, chief of which is a credit for real and personal property taxes paid to municipalities within the state.

A reinstated personal income tax would generate revenues of at least \$200 million per year. Support material is attached.

A committee hearing at your earliest convenience will make a positive contribution to the public discussion regarding a long-range fiscal plan. If there are any questions, please contact me, or Tim Benintendi of my office. Thank you.

# Alaska State Legislature

## Representative Carl E. Moses



Member  
House Finance Committee



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This section further requires the use of one's federal filing status as that which would be used in determining the state income tax liability.

**Bill Section 2:** Directs individuals and fiduciaries to file state income tax returns with the Department of Revenue, the same as corporations and others required to file under 26 U.S.C., the Internal Revenue Code. Provides for allowable credits and payments against the state tax liability.

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**Bill Section 4:** Requires the taxpayer to file with the state tax return, a copy of one's federal tax return for the same tax year. It also provides for the filing of an amended return within sixty-days following a final determination of the taxpayer's federal tax liability if such should be in question.

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**Bill Section 12:** Defines the terms "bank," "corporation," "fiduciary," "fiscal year," "individual," "Internal Revenue Code," "resident," "non-resident," "part-year resident," "person," "taxable year," "taxpayer," and "trade or business."

**Bill Section 13:** Identifies necessary repealers.

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ALASKA STATE LEGISLATURE  
HOUSE OF REPRESENTATIVES  
RESEARCH AGENCY

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Mail Stop 3100  
(907) 465-3991

April 6, 1989

MEMORANDUM

TO: House Finance Fiscal Policy Subcommittee

FROM: Gretchen Keiser *G. Keiser*  
Legislative Analyst

RE: Alaska's Personal Income Tax: History, Structure and Policy Considerations  
Research Request 89.253

You asked this agency to prepare a summary of the history, structure and policy considerations regarding Alaska's personal income tax. This memorandum draws upon the legislative history of the Alaska Net Income Tax Act (AS 43.20), fiscal records of the Department of Revenue, personal income data from U.S. Bureau of Economic Analysis, Governor's Office (Division of Policy) analysis, as well as several publications covering state income taxes nationwide. The first section describes the history and structure of Alaska's individual income tax. Recent legislative proposals regarding the personal income tax are discussed in the second section. The third section briefly considers state income taxes nationwide, and the final section examines the major policy considerations of an income tax.

HISTORY AND STRUCTURE OF ALASKA'S PERSONAL INCOME TAX

Following several years of political battles, the Alaska Legislature established a net income tax in 1949 as part of an overall change in the territorial tax system.<sup>1</sup> The tax was levied on all resident and nonresident individuals and fiduciaries (and also corporations operating in Alaska) at a tax rate of ten percent of the taxpayer's federal income tax liability. Given its close correlation to the federal tax, Alaska's income tax was quite simple and easy to collect; ~~employers withheld ten percent of the amount being withheld for federal income taxes.~~ The Alaska tax withstood an immediate challenge of its constitutionality [*Alaska Steamship Co v. Mullaney*, 12 Alaska 594, 180 F.2d 805 (1950)]. In addition, the court considered the state's tax, with its reliance on the federal graduated tax rates, to be grounded in a reasonable policy since the tax was structured according to a taxpayer's ability to pay.

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<sup>1</sup>History of Alaska's income tax presented in Department of Revenue v. Gibson, 544 P.2d 852, 1975.

Between 1949 and 1961, Alaska's personal income tax rate gradually increased from ten to 16 percent of a taxpayer's federal income tax liability. Other changes required federal employees to pay state tax on cost-of-living allowances and limited nonresidents' exemptions, credits and deductions. The simplified method of determining state income tax worked well during a period when federal tax changes mostly involved increases in tax rates. Following the reduction in federal income tax rates in 1963, however, the legislature grappled with a state tax structure which would operate independently of the federal system. In 1965, the legislature modified the tax statute so that a taxpayer's state tax payment remained at 16 percent of the federal income tax liability but at the federal tax rates in effect on December 31, 1963, prior to federal tax reform. A 1964 legislative report noted that nonresident taxpayers usually had a disproportionately higher income tax liability than residents because they were denied the standard ten percent deduction and could claim only those deductions directly connected with income from Alaska sources.<sup>2</sup>

In 1975, the legislature revamped the Alaska income tax and established a graduated tax rate structure independent of federal income tax rates. A taxpayer's taxable income, as defined under the Internal Revenue Code, was modified by various longstanding additions, exemptions and credits to determine Alaska taxable income, which was then subject to a progressive rate of 3.0 to 14.5 percent. The 1975 tax law expanded considerably the section governing nonresident taxable income for individuals and partnerships (including a provision which allowed the standard federal deduction according to the portion of a taxpayer's total adjusted gross income derived from Alaska sources).

The revenue effect of the overhaul was not dramatic; the significant increases in state individual income tax revenues in fiscal years 1975 - 1977 primarily reflect the dramatic rise in total state personal income (and individual taxable income) during construction of the TransAlaska Pipeline System (TAPS).<sup>3</sup> Table 1 summarizes information on state individual income taxes paid for the 1977 - 1979 tax years.

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<sup>2</sup>Alaska Legislative Council, "Taxes in Alaska," November 1964, p. 8.

<sup>3</sup>Steve Kettel, director, Income and Excise Tax Division, Department of Revenue, personal communication, March 16, 1989.

TABLE 1  
ALASKA INDIVIDUAL INCOME TAX INFORMATION: 1977 - 1979

	1977	1978	1979
Number of Taxpayers	190,988	177,572	188,780
Avg. Taxable Income	\$13,844	\$13,377	\$12,686
Avg. Tax Paid	\$100	\$572	\$494
Percent Tax Paid by Nonresidents	18.4%	12.2%	10.9%
Effective Tax Rate	5.1%	4.3%	3.9%

Source: 1977, 1978 and 1979 Individual Income Tax reports prepared by the Research Section, Alaska Department of Revenue, and May 6, 1987 memorandum ("Income tax Incidence on Nonresidents") from John Hansen and Gregg Erickson to Commissioner Hugh Malone.

Alaska's personal income tax was repealed in 1980. During the regular session, the 1980 legislature modified AS 43.20 to provide a partial to total exemption from state income tax for individuals, depending upon the number of prior years the taxpayer had filed a state tax return (Ch 22 SLA 1980). In early September 1980, the Alaska Supreme Court ruled that the resident longevity exemptions violated the equal protection clause of the Alaska Constitution. A special session was called and the legislature repealed the personal income tax on individuals and fiduciaries, retroactive to January 1, 1980 (Ch 1 SSSLA 1980). In addition, the legislature appropriated about \$186 million to the Department of Revenue for refund of income taxes paid by individuals and fiduciaries during both the 1979 and 1980 tax years.

Table 2 summarizes state revenue from the individual income tax for the period FY 59 - FY 80. Income tax revenue increased dramatically beginning in FY 75 and peaked in FY 77 at \$210 million. Table 2 also provides the annual state personal income, which is broadly defined to include all income received from wages, salaries, dividends, interest, rent, transfer payments, etc. The state's income tax revenue is then presented as a percentage of state personal income in order to portray the historical tax effort (i.e., the percent of total income paid to the state in income taxes). The tax effort ranged between 1.6 percent (FY 59 - FY 61) and 4.6 percent (FY 77). The dramatic increase in tax effort beginning in FY 75 generally reflects higher taxable incomes (during the TAPS construction), which were subject to higher tax rates under the graduated tax system. By FY 79, the tax effort had declined to 2.4 percent, which was also the average tax effort over the 22-year period.

TABLE 2  
 REVENUES FROM ALASKA INDIVIDUAL INCOME TAX: FY 59 - FY 80  
 (Millions of Dollars)

Fiscal Year	State Income Tax Revenue	Total State Personal Income	Income Tax Revenue as Percent of		
			Total State Personal Income	Total State Tax Revenue	Unrestricted Revenue
1959	\$8.1	\$506.6	1.6%		
1960	8.9	542.4	1.6		
1961	10.4	630.9	1.6		
1962	12.2	626.3	1.9		
1963	13	654.1	2.0		
1964	13.9	711.3	2.0		
1965	16.2	799.7	2.0		
1966	19.2	866.3	2.2		
1967	22.7	935.3	2.4		
1968	22.6	1,029.0	2.2		
1969	25.2	1,119.1	2.3		
1970	32.4	1,373.9	2.4		
1971	35.5	1,543.7	2.3		
1972	39.1	1,679.1	2.3	43.8%	17.8%
1973	43.4	1,827.0	2.4	45.1	20.8
1974	49.2	2,148.3	2.3	44.8	19.3
1975	86.9	2,650.4	3.3	46.8	26.1
1976	146.2	3,780.0	3.9	25.2	20.6
1977	210.4	4,559.6	4.6	28.0	24.1
1978	145.7	4,701.2	3.1	27.1	19.0
1979	117.2	4,790.8	2.4	14.6	10.3
1980	100.5	5,020.9	2.0	7.1	4.0

Note: The fiscal year tax revenue data corresponds to taxes paid for the prior calendar year's income. For example, FY 80 tax revenue corresponds to individual taxable income and total state personal income in 1979.

Sources: 1977 - 1979 Individual Income Tax reports and Revenue Sources (January 1986) prepared by the Research Section, Alaska Department of Revenue, and state personal income data from the Bureau of Economic Analysis, U.S. Department of Commerce.

Prepared by the House Research Agency, April 1989 (89.253).

Table 2 also presents information for the 1970s which indicates the importance of income tax receipts relative to total state tax revenue and unrestricted revenue available for state spending. During the period FY 72 - FY 75, income tax receipts represented nearly half of the state's total tax revenue. As oil and gas reserves, property, and severance tax revenue expanded beginning in FY 76, the individual income tax declined in importance to roughly one-quarter of the state's tax revenue. In FY 72 - FY 74 and again in FY 78 (after the high income tax years during the TAPS construction), the state individual income tax brought in roughly 18 to 21 percent of the state's unrestricted revenues.

#### RECENT LEGISLATIVE PROPOSALS TO REIMPOSE THE PERSONAL INCOME TAX

Since 1985, several resolutions have been introduced opposing an income tax or proposing a constitutional amendment to require voter approval or a two-thirds majority vote in each house prior to reimposition. In 1986, the legislature established the Joint Special Committee on State Tax Policy which was to submit a report to the legislature that "addresses the merits of and makes recommendations concerning a long-term, broad-based and stable tax policy to minimize taxes and foster economic growth."<sup>4</sup> The committee compiled a series of reports on the merits of specific taxes, including studies on the individual income tax prepared by the Department of Revenue and the Institute of Social and Economic Research in 1986 and 1987. Nevertheless, the committee's final report (January 1988) did not present conclusions as a result of all these studies or make recommendations regarding state tax policy and the role an individual income tax might play.

In 1987, Governor Cowper introduced individual income tax legislation (House Bill 154) which underwent considerable public scrutiny but died in the House Rules Committee. The proposed state income tax was piggybacked on the federal tax--as under the former Alaska income tax repealed in 1980. The tax base was broadened through adjustments to federal gross income and limitations on the number of allowable deductions (i.e., alimony paid, interest from U.S. obligations, penalty for early withdrawals from savings accounts, and Permanent Fund dividends). The DOR estimated that failure to allow the deduction of mortgage interest would increase taxable income in 1988 by about \$600 million. A personal exemption of \$3,000 per dependent was subtracted from adjusted gross income to arrive at taxable income. ~~In contrast to the former state income tax rate schedule (with several tax rates to a maximum of 14.5 percent), Governor Cowper proposed a two-tiered structure of 3.2 and 5.7 percent. Higher taxable income brackets--at thresholds between \$25,000 and \$50,000 depending upon a taxpayer's filing status--would be taxed at the higher rate. At the time, the DOR estimated that the income tax, under HB 154, would raise about \$250 million annually. A subsequent DOR estimate for the Governor's income tax--with Permanent Fund dividends taxable--yielded about \$265 million.~~

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<sup>4</sup>Senate Concurrent Resolution 42; the committee included three senators, three representatives, two executive branch members and three public members.

An individual income tax bill (HB 252; sponsored by Representative Koponen) was recently introduced in the 1989 Legislature (attached). As with the Governor's 1987 proposal, HB 252 would piggyback a two-tiered, graduated state income tax (at 3.2 and 5.7 percent) onto the federal tax, beginning with the federal definition of gross income. However, the current tax bill incorporates several new features:

- Permanent Fund dividends are not allowable deductions and would be taxable (as they are under the federal tax law);
- Personal exemptions applied against a taxpayer's adjusted gross income to arrive at taxable income are the greater of 1) the exemptions allowed under federal taxes [i.e., \$1,950 per dependent in 1988] or 2) an amount of income equal to 100 percent of the federal poverty income guidelines applicable to the number of exemptions claimed;<sup>5</sup>
- Tax Credits are allowed for motor vehicle registration tax, sales and use tax, and property tax levied by a municipality. A renter's credit (not to exceed 20 percent of the annual rent) is also allowed; and
- Longevity bonuses would no longer be exempt from state taxes, as is currently the case under AS 47.45.120(a).

The fiscal note is not available yet for HB 252, but it appears likely that the larger personal exemption for all taxpayers (based on federal poverty income guidelines) and the credits for municipal taxes would significantly reduce previous income tax revenue estimates. Municipal sales tax revenues in 1988 equaled about \$55 million--of which most is paid by Alaskans, and in 1987, DOR estimated that a property tax deduction would reduce projected taxable income in 1988 by \$100 million. A centralized estimate of municipal motor vehicle registration tax revenue is not available from the Department of Community and Regional Affairs (DCRA). On the other hand, the tax liability generated by the Alaska longevity bonus would raise collections by about \$2 million annually.<sup>6</sup> Also, the DOR estimated in 1987 that taxing Permanent Fund dividends would raise between \$8 and \$12 million in additional income tax revenue.

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<sup>5</sup>The 1989 federal poverty income guidelines are as follows: \$7,480 (family of one); \$10,030 (two); \$12,580 (three); \$15,130 (four); \$17,680 (five); \$20,230 (six); \$22,780 (seven); \$25,330 (eight); plus \$2,550 per additional person.

<sup>6</sup>This estimate assumes that the average Alaska senior would have taxable income falling under the lower 3.2 percent rate. An annual bonus of \$3,000 would yield \$96 in taxes per senior, or about \$1.6 million for 17,000 seniors.

Although he has not introduced an individual income tax bill this year, Governor Cowper included a state income tax in the conceptual framework of his five-year fiscal plan and 20-year projection as part of his State of the State address in January. A rough estimate of about \$217 million from a graduated income tax--generally similar to the Governor's 1987 proposal but with lower tax rates--is indicated for FY 92, following implementation of the tax on January 1, 1991. According to Gregg Erickson of the Office of Management and Budget, this income tax effort would be equal to about 1.9 percent of the projected state personal income at that time.

#### COMPARISON WITH OTHER STATES

Alaska is one of seven states which do not have an individual income tax. Florida, Nevada, South Dakota, Texas, Washington, and Wyoming are the others. Two other states tax only interest and dividend income (New Hampshire and Tennessee). Nationwide, the individual income tax provided about 31 percent of state tax revenue in 1987.<sup>7</sup> In FY 78--the last year (prior to the runup in severance and petroleum corporate income taxes) for which we have comparable figures--Alaska's individual income tax receipts represented about 27 percent of the state's total tax revenue (Table 2).

Since 1986, there has been considerable activity and major reforms in state individual income tax laws across the country as a result of 1) the federal tax reforms of 1986, 2) major tax studies in more than half of states since the early 1980s, and 3) economic changes and the desire for an income tax structure which is competitive with neighboring states.<sup>8</sup> Furthermore, a December 1988 National Conference of State Legislatures' survey indicates that income taxes would be among the top three issues facing 21 state legislatures in 1989.<sup>9</sup>

In general, states have become more progressive in their income tax structure because most conformed with the progressive changes in the federal tax law--particularly the broadening of the tax base at higher income levels. Also, many states raised personal exemptions and/or standard deductions, which provides greater relief for taxpayers with relatively low incomes. However, it is difficult, if not misleading, to compare a potential income tax rate structure in Alaska with those of other states because income brackets, ~~deductions, exemptions, and credits vary widely from state-to-state.~~

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<sup>7</sup>State Government Tax Collections in 1987, Bureau of the Census, Government Finances Series GF-87-1, March 1988, Table 6.

<sup>8</sup>S. Gold (ed), "The Unfinished Agenda for State Tax Reform", National Conference of State Legislatures, 1988, pp. 14 - 21.

<sup>9</sup>"Leading Fiscal Issues in 1989 Legislative Sessions," National Conferences of State Legislatures, December 1988.

## POLICY CONSIDERATIONS OF A STATE INCOME TAX

### Equity

\* The individual income tax is generally considered the fairest tax. The tax burden falls primarily on the individual and there is less opportunity for shifting the incidence of taxation compared with corporate income or business taxes where tax burdens can be shifted backward onto workers or forward onto consumers. Income taxes typically incorporate graduated tax rates based on the ability to pay principle--individuals pay according to their level of income.

\* A progressive income tax takes a higher percentage of high incomes than of low ones. The progressivity of an individual income tax depends upon a number of factors, including

- 1) the type of income taxed and the degree of preferential treatment of different categories of income - elimination of the special treatment of capital gains under the federal 1986 tax reform is regarded as a progressive change in the income tax;
- 2) the tax rate structure (i.e., the number and spacing of income brackets and the spread in tax rates from lowest to highest income bracket) in general, fewer income brackets and a smaller spread in the tax rates results in less progressivity;
- 3) the amount of standard deductions and personal exemptions - increasing these helps reduce the tax burden of lower income taxpayers to a greater extent than higher income taxpayers; and
- 4) the type and amount of tax credits - converting deductions to tax credits places higher and lower income taxpayers on an equal footing.

Since HB 252 begins with the federal gross income definition, it would incorporate some of the progressive changes of the recent federal tax reform. The two-tiered, graduated rate structure proposed in HB 252 is moderately progressive, but the provision for large personal exemptions would have a greater beneficial effect on lower income taxpayers than those with higher incomes, and greatly increases the progressivity of the proposed income tax.

A portion of the proposed state income tax burden would be "exported" because some of the tax would be paid by nonresidents. The Office of Management and Budget (OMB) estimated in 1987 that at least ten percent of the tax revenue would come from nonresidents (including filers who worked instate only part of the year).<sup>10</sup>

### Simplicity and Economic Efficiency

A broad-based tax system, with few deductions and limited preferential treatment of income, is the simplest form of income tax for government to administer and individuals to pay. From an administrative viewpoint, the majority of disputes under the former state income tax were related to itemized deductions. The Internal Revenue Service also focuses a great deal of time on deductions and tax credits since these are the primary areas of abuse. However, in comparison with other taxes--such as a sales tax--an income tax is administratively much more complex. A 1987 fiscal note estimated that about 65 new DOR employees would be necessary to administer a state income tax; about 60 DOR staff worked on the income tax prior to its repeal in 1980.<sup>11</sup>

Limiting the complexity of the income tax is politically responsible because it clarifies who shoulders the tax burden. A tax which broadly incorporates all types of cash income--and allows for few exceptions or special treatments--would likely result in lower tax rates if a particular level of revenue is targeted. Although virtually any form of taxation affects individuals' decisions regarding work, savings, education, or consumption, a broad-based tax with low rates is generally considered to be less distorting. With low rates, personal, individual, business, and investment decisions are likely to be primarily based on economic rather than tax avoidance considerations. Similarly, a tax system which allows few deductions would limit the incentive effects, such as may occur when the deduction of medical expenses induce individuals to spend more on medical services than they otherwise would.

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<sup>10</sup>"Percent of State Income Tax "Exported"," Memorandum from Gregg Erickson, senior economist, to David Ramsure, press secretary to the Governor, May 4, 1987.

<sup>11</sup>Steve Kettel, personal communication, March 16, 1989.

### Intergovernmental Effects

Payment of state income taxes has been estimated to reduce Alaskans' federal tax payments by an amount equivalent to about 20 percent of their state income tax liability. This offset of federal taxes would occur only for taxpayers who itemize deductions on their federal tax returns--typically higher income taxpayers. This federal tax offset, coupled with the above-mentioned taxes collected from nonresidents, indicates that roughly 30 percent of the state income tax burden would be "exported" out of state.

The inclusion of municipal property, sales, and vehicle registration tax credits would have a significant effect on the capability of the state to generate revenue under the income tax proposed in HB 252. The annual revenue expected from the state income tax would be somewhat unpredictable because each time a local government raised its taxes, state revenue would decline by a roughly corresponding amount. The tax credits would be popular among Alaska's communities because they provide a direct dollar-for-dollar incentive for local governments to increase property and sales taxes; local taxpayers would recover their local tax payment through reductions in state income taxes. However, credits for local taxes would be allowed only up to the amount of state income taxes owed, i.e., taxpayers could not receive a refund from the state.

From the taxpayers' perspective--particularly those with higher income who would be able to fully credit local taxes against their tax liability--it makes little difference to whom one pays the tax bill. In either case, an individual's disposable income would be reduced. It could be argued that a state income tax system which incorporates this local tax credit provision would in fact encourage taxation at the local level where taxpayers not only have greater direct influence over the expenditure of tax revenue, but could also keep the tax dollars circulating in the regional economy. On the other hand, individuals living in areas with low tax rates or lacking local taxes--particularly in the unorganized borough--would pay more of their tax dollars to the state where they would have less control over where and how the tax dollars were spent. Another factor to consider is that the local government response to the incentive embodied in the tax credits would also affect the distribution of state aid under the Public School Foundation and Revenue Sharing programs (which have a local tax effort measure built into their formulas).

In summary, the design of a state income tax is not necessarily a straightforward task. Policy makers have to consider several factors as they establish the tax system in order to achieve the desired level of progressivity and target the intended beneficiaries of various exclusions, deductions, exemptions and credits. I have attempted to briefly discuss the policy issues which commonly arise regarding income taxes as well as some issues raised by HB 252.

Please contact us if you would like further information.

Dr. Carl S. Benson, PhD  
1551 Farmers Loop  
Fairbanks, Alaska 99709  
10 December 2000

Senator Gary Wilken  
1851 Fox Ave.  
Fairbanks, Alaska 99701

Dear Gary,

Thanks for your letter of 28 November 2000, in which you asked for information on a long-range fiscal plan that makes sense. Here are my responses to your three questions:

1. What is your definition of a long-range fiscal plan?  
A long-range fiscal plan provides renewable sources of funding for essential services of state government.
2. What is the ultimate goal(s) of a long-range fiscal plan?  
The ultimate goal is to provide stability for both operating and capital budgets. It is not in the best interest of the state to have its funding of state functions tied to the price of a single commodity.
  - (a) Operating Budget:  
Alaska's operating budget has been cut to dangerous levels. As I stated in my campaign: "If a foreign power had done to Alaska what our Legislative Leadership has done, we would consider it an act of war."
  - (b) Capital Budget:  
Alaska's work force and contractors depend on stability in the state capital budget from year to year in order to maintain competence and quality. The state has many pressing needs and it has the labor available to deal with them. But when the amount of work to be done in a given year exceeds local capability, we bring in too many workers from outside. On the other hand in a lean year we let projects go unfunded, lay off local workers and, by deferring maintenance, cause costs to increase.
3. What components should be included in a long-range fiscal plan?  
An essential component is to reinstate the state income tax. I realize that some Republicans are opposed to this in a "knee-jerk" way but I respectfully request that it be considered as a key ingredient in a long-range fiscal plan.

I have outlined an argument for reinstating the state income tax at a simple percentage of the federal tax, as it was before. Although Republican leaders have said *absolutely no* to reinstating our income tax, it cannot be removed from the table before we analyze the condition of the state's budget. Everything should be considered and the income tax could play an important part of the long-range plan which we obviously need.

The first step is to analyze the pros and cons of an income tax as opposed to a state sales tax.

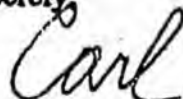
A state-wide sales tax would be hardest on rural areas and poor people; costs are already higher in rural areas. Decisions on sales taxes should be left to local governments, along with property taxes. Some communities already have sales tax and the mix of sales tax and property tax is best left to local communities. This was essentially decided when the state-wide property tax was voted down. A state-wide sales tax will not be considered further here. At the state level an income tax is more appropriate for several reasons.

Let us consider the problem in more detail:

1. It was stated that it makes no sense for the legislature to send out a dividend and then take it back with the income tax. But this statement makes no sense; the amount of the dividend is far greater than the amount to be raised by a tax. Last year the Dividend was \$1,200 million and the expected tax revenue is estimated at about \$300 million, that is only one quarter of the Dividend. Also, an income tax would not come only from the unearned money of the Dividend alone but from all of the \$10 billion in wages and salaries earned in Alaska by residents and non-residents.
2. People for whom the Dividend means the most would pay the least in income tax, many would pay only a few hundred dollars.
3. People for whom the Dividend means the least would pay the most in income tax, but:
  - (a) their dividend would pay most or all of it, and
  - (b) what they pay would be deductible from their Federal income tax; this would keep more Alaskan money in Alaska, which is the state they say they love.
4. About ten percent of Alaska's \$10 billion in total wages and salaries is earned by non-residents (\$930 million in 1999). This money is taken out of Alaska by non-residents who make no contribution to paying for state services. An income tax on this would contribute about 30 million dollars to our state's general fund. Even in a wealthy state like Alaska this is significant.
5. The income tax would give us a base of about \$300 million from which to operate. If we matched it two-for-one with money from the earnings reserve account we would basically eliminate our "budget gap." This money would be from what some refer to the "surplus earnings," i.e., the annual earnings in excess of what is needed for dividends and inflation proofing. By tying it to the amount raised by the income tax we would put a limit on it which some people feel is important.
6. Finally, the income tax could help reinvigorate the concept of citizenship in Alaska. People have no stake in the state government now because they do not contribute to it. Instead, they wait for an annual check from the state and have begun to look on it as an entitlement. We are attracting people to move here because we have no taxes and we give away free money. Although the dividend program is unique in the United States, it can be enhanced by combining it with our income tax so that people can again say: "I am a citizen and a tax payer."

The income tax should be looked at and thought about. It needs more than a knee-jerk reaction. In 1948 Alaska set up the territorial income tax and became a proud Territory with resources available to serve its citizens. Before that, it was essentially at the control of outside interests, primarily fishing and mining run from New York and Seattle. Today another industry dominates Alaska and we need to exercise the same degree of independence now that we did in 1948. I will be glad to discuss this with you further.

Sincerely,



Dr. Carl S. Benson, PhD



## Lake and Peninsula Borough

P.O. Box 495  
King Salmon, Alaska 99613

Telephone: (907) 246-3421  
Fax: (907) 246-6602



February 16, 2001

Representative Carl Moses  
State Capital Building  
Room 500 / Mail Stop 3100  
Juneau, AK. 99801-1182

### SUBJECT: State Income Tax

Dear Carl:

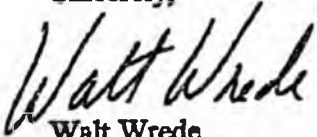
I am writing to let you know that the Lake and Peninsula Borough fully supports your efforts to institute a State Income Tax. The Borough Assembly considered this question at length during its regular meeting on January 16, 2001. At that time, the Assembly voted unanimously to endorse an income tax. It also instructed me to inform the Legislature, the Governor, and the general public of the position it has taken. Although the members expressed reservations about recommending new taxes, they all agreed that this step was necessary to insure long term social and economic stability.

The Assembly voted to support an income tax for a number of reasons which include:

1. It believes that a long range fiscal plan for the State would be prudent and urges the Legislature and the Administration to work together to adopt one. The reality is that revenue enhancement and diversification must to be part of this plan. Long term financial stability is necessary if we are going to insure that that our economy continues to grow and that our residents receive the basic public services necessary for the quality of life they deserve. Our Assembly members were born and raised in Alaska and they intend to stay here. They care deeply about how our schools, public facilities, infrastructure, and economy will look 20 years from now.
2. An income tax is preferable to a general sales tax because it is less regressive and it does not impinge upon the traditional taxing authority of municipalities.
3. An income tax is the best vehicle to enable workers that are employed here but reside outside to make a contribution to infrastructure and basic public services in Alaska.
4. An income tax could be structured so that taxes paid can be deducted from one's Federal income tax obligation. This would insure that the new tax has a minimal impact upon Alaskans.

In closing, the Borough appreciates your efforts the past few years to institute a State Income Tax. We recognize that this has been a lonely effort and that the environment in Juneau has not been conducive to reasonable debate and forward thinking. However, we believe you should be commended for the leadership you have shown and for having the courage to "get out in front" on this politically difficult issue. Please let us know if there is anything the Borough can do to assist you in this effort.

Sincerely,



Walt Wrede  
Borough Manager

c.

Governor Tony Knowles  
House and Senate Finance Committees

## Broad-based Taxes

Alaska has an extraordinarily narrow tax base centered on the oil and gas industry. In FY 2000 three tax and royalty payers were responsible for more than 75 percent of the money spent from the General Fund.

Given the effect on state revenue from the eventual decline in North Slope oil production and the volatility of oil prices, instituting a personal income tax or a statewide sales tax often surfaces as a potential solution for stabilizing state revenues. Some key concepts to consider in choosing a broad-based tax are summarized below.

- **Revenue** – How much revenue does the tax generate?
- **Exportability** – How much tax do nonresidents pay?
- **Fairness** – How fair is the tax?
- **Economic Effects** – How would the tax change economic behavior?
- **Administrative Cost** – How much does tax administration cost?
- **Changes in Technology** – How would this tax change in the future?

### Revenue

#### Income Tax

How much revenue would a tax generate? The answer to this question really depends on the tax base and the rate structure. Most individuals who work in Alaska already file an U.S. income tax return, thus the most cost-effective income tax base would probably come from that return, using one of three options: (1) adjusted gross income, (2) federal taxable income, or (3) federal tax liability before federal credits.

The table below represents the income tax rates (expressed as a percentage) necessary to generate the indicated revenue amount.

#### Income Tax Rates Needed to Reach Revenue Projections

\$ Million Revenue	Percent Adjusted Gross Income	Percent Federal Taxable Income	Percent Federal Tax Liability
250	2.1	2.9	13.7
300	2.5	3.4	16.3
350	2.9	4.0	18.9
400	3.3	4.5	21.4
450	3.7	5.0	24.0
500	4.1	5.6	26.6

### Sales Tax

Although most everyone is familiar with the sales part of a "sales and use" tax, most Alaskans are probably not familiar with the "use" part. What it means is that if a state has a sales and use tax and, for example, a resident buys a car in another state, the resident is liable for the use tax (generally the same rate as the sales tax) when the car comes across the state line. The idea is to protect the state (and its businesses) from losing revenue to sales in other states.

The amount of public revenue that a sales and use tax would generate is the product of the size of the sales tax base and rate. The size of the sales tax base depends on (1) the size and structure of the economy; (2) the specific goods and services included in the base; and (3) the type and size of credits or deductions.

The best four sources of information for estimating the revenue that could be derived from an Alaska sales tax are:

- (1) Data from the 98 Alaska cities and boroughs that currently impose sales taxes. This comprises about one-third of Alaska's population.
- (2) Data on sales tax revenues from other states similar in size to Alaska.
- (3) Data from the U.S. Economic Census for Alaska.
- (4) Data from the Consumer Expenditure Survey for Anchorage.

From the four data sources, we conclude that at a rate of 1 percent Alaska statewide sales tax with almost no exemptions would generate roughly \$100 million in public revenue a year. However, as is commonly done in other states and in Alaska communities with sales taxes, exempting food and medicine from the Alaska sales tax base would reduce the annual income to the state to roughly \$70 million per 1 percent tax rate.

### Exportability

Exportability is the extent to which a state can shift its tax burden to out-of-state residents, either through directly charging nonresidents or through deductibility against the federal income tax. The amount of tax nonresidents pay depends on the amount of income nonresidents earn in the state, or in the case of sales taxes the goods and services that nonresidents purchase here.

### Income Tax

The easiest way to export a tax is through deduction against federal tax liability. There is no deduction for state or municipal sales taxes; only income taxes are deductible. A deduction, or offset, means part of the tax revenue remains in state instead of going to Washington D.C. We estimate that Alaskans, on average, would recover about 15 percent of the cost of a state income tax by deducting it from their federal tax bills. For example, if a state income tax generated \$300 million, \$45 million would come from the deductibility of the state income tax against federal income taxes and \$255 million would come from the pockets of Alaskans.

Taxing nonresidents also would help relieve the tax burden on Alaskans. The Bureau of Economic Analysis at the U.S. Department of Commerce estimates the nonresident income produced in each state. It's an estimate of the annual income that nonresidents earn in Alaska, minus income that Alaska residents earn in other states. The 1998 figure was \$813 million, or, approximately 6 percent of total 1998 earnings in Alaska.

The Alaska Department of Labor provides another source of data on nonresident income in its annual report on nonresident wages. According to the department, the total nonresident earnings for 1998 were \$930 million — about 10 percent of total wages paid in the state. There are two reasons why this number is larger than the U.S. Department of Commerce number. First, the state classifies more workers as nonresidents. The Alaska Department of Labor strictly defines a nonresident worker as someone who did not receive a Permanent Fund Dividend that year or apply for it the following year. Second, the Department of Labor number does not address income earned by Alaska residents in other states.

Regardless whether you use the state or federal estimate of nonresident income in Alaska, it's likely that a personal income tax of \$300 million a year would generate less than \$30 million a year from nonresidents working in Alaska.

### Sales Tax

In a recent study, the McDowell Group, an Alaska economic consulting company, estimated that nonresident visitors spent \$949 million in Alaska in 1998. Rounding that off to \$1 billion a year in visitor spending, a 1 percent statewide sales tax would generate about \$10 million from sales to nonresidents. That assumes no exemptions for food or medical care, and makes no allowance for sales exempt under federal law such as airline tickets.

## Fairness

### Income Tax and Sales Tax

The concept of fairness in taxes is subjective, as the term evokes a host of philosophical and political considerations in addition to the economic ones. Essentially, a majority of the state's residents must perceive any tax system as fair if it is to work well. An unfair tax structure generally reduces support for public expenditure and reduces compliance with the tax system.

Tax equity can be looked at in two ways: ability-to-pay and benefits received. The benefit principle rests on the premise that taxpayers should pay tax in proportion to the value of the public-service benefits they receive. On the other hand, the ability-to-pay principle follows from the belief that taxes should be assessed in terms of some measure of an individual's capacity to pay. Taxes are usually described as progressive, regressive or proportional. If the tax, as a percentage of income, rises as a person's income rises, it is labeled as progressive. If the tax, as a percentage of income, rises as income falls, the tax is considered regressive. A tax that stays the same is deemed as proportional.

Supporters of an income tax say it is progressive, in that it generally assigns a higher tax rate to higher-income households.

Opponents of a sales tax say it is regressive because low-income households spend a greater proportion of their income on essential purchases than do higher-income households. Supporters of a sales tax say it is fair in that it taxes everyone at the same rate.

## Economic Effects

### Income Tax and Sales Tax

Economists classify a tax as "efficient" when it has little or no effect on economic behavior. For example, sales taxes are inefficient when they influence consumer buying decisions or manufacturers' production decisions.

The size of the tax rate may also influence economic behavior. A personal income tax certainly could influence a person's economic decisions by lowering take-home pay, thereby affecting spending and working decisions. The amount of a sales tax also can make a difference in spending decisions. For example, a person who normally buys goods locally may continue to do so at a low sales tax rate. However, a high tax rate may cause the person to purchase the same product on the Internet or by mail order. In addition to changing the behavior of the individual, the Alaska economy suffers because the expenditure is made out-of-state and the money does not circulate in the local economy.

One measure of the stability of a tax is how state revenue changes as personal income changes. Studies show that as income changes, sales tax revenues change less than income tax revenues.<sup>(1)</sup> That is, in general, sales tax revenues decrease less in a recession than income tax revenues. Conversely, sales tax revenues increase less in a period of growth than income tax revenue.

## Low Administrative, Enforcement and Compliance Cost

Desirable features of any tax system are low administrative, enforcement and compliance costs. These features imply that the tax system should attempt to minimize both individual and business compliance costs (including record keeping costs and fees paid to professional tax preparers), as well as the government's cost of administering, monitoring and enforcing the tax system.

Based on other states' experiences, we believe Alaska's cost of collecting either a sales or an income tax could be as low as 1 percent of total state revenue from the tax, depending on how the tax is structured.

### Income Tax

Typically, the compliance cost to an individual for a state personal income tax is relatively minimal when the state tax is based on federal definitions of taxable income. The state tax return generally is simple to complete after federal taxable income and taxes are calculated.

Businesses will incur some additional compliance costs. For the personal income tax, the added costs are mostly associated with bookkeeping for employee tax withholding.

### Sales Tax

Individuals have no sales tax compliance cost; the burden falls on businesses to collect the tax, keep the books and send the money to the tax office. Businesses will incur costs for labor, point-of-sale equipment and software and record keeping.

<sup>(1)</sup> "State Fiscal Issues and Risks at the Start of a New Century," by Donald J. Boyd, Nelson A. Rockefeller Institute of Government, Albany, New York; June 2000.

Private costs for collecting and remitting sales tax are generally higher for small- and medium-sized businesses. In Washington, the cost to businesses to collect and remit sales tax was 6.47 percent of total sales tax collections for small, 3.35 percent for medium and 0.97 percent for large retailers.<sup>(2)</sup> Many states allow businesses to retain a small percentage of the sales tax collections to at least partially cover the costs of the tax collection service.

## Changes in Technology

### Sales Tax

Use of the Internet directly affects a state's ability to collect sales tax revenues. Taxing sales over the Internet would lead to higher cost to businesses of complying with almost 7,500 state and local sales tax jurisdictions. In response, state governments have joined together to propose streamlining existing sales taxes. The key features of these proposals include uniform definitions, simplified exemptions, simplified rates, state administration of local sales taxes, uniform auditing and states assuming a greater responsibility for implementing the system.

## Petroleum Fiscal System

### The Current System

There are four major components of the fiscal system for oil and gas:

- **Ad Valorem Property Tax** — A 20 mill levy on all petroleum production and transportation equipment.
- **Severance (Production) Tax** — A tax on production of up to 15 percent of value.
- **Royalty** — An ownership interest of an average 12.5 percent of production value.
- **Corporate Income Tax** — An income tax on oil and gas corporation net income of 9.4 percent.

A discussion of each of these taxes can be found in Section IV, Oil Revenue, beginning on Page 39.

### Adequacy of the Current System

There are at least two criteria for evaluating the adequacy of a fiscal system:

- The share of the (pre-tax) profits from oil and gas activity in the state that the state receives.
- Whether the system encourages or discourages investment in the state.

<sup>(2)</sup> "Retailers' Cost of Collecting and Remitting Sales Tax," by Mary Welsh and Frederick C. Kiga, Washington State Department of Revenue, Olympia, Washington; December 1998.