



## OIL AND GAS PRODUCTION TAXES

## AS 43.56

To qualify the work must have been performed between July 1, 2003 and July 1, 2007. However the credits could not be applied until after July 1, 2004 (i.e. in FY 2005).

The legislature extended the time until July 1, 2010 for qualifying work south of the Brooks Range and including the Alaska Peninsula and Bristol Bay, the Nenana Basin, the Red Dog Mine Area, the Healy Basin and Cook Inlet. The new rules also changed the 3 mile and 25 mile rules for the Cook Inlet to reflect a more mature exploration area.

The table below reports the credits issued under the program through September 30, 2005:

Area	Project	Number of Projects	Credits Issued
<b>20 % Credits Issued</b>			
Cook Inlet	Wells	1	\$392,293
North Slope	Wells	1	\$3,588,666
<b>Total 20 % credits issued</b>		2	\$3,980,959
<b>40 % Credits Issued</b>			
Cook Inlet	Seismic	1	\$754,619
Cook Inlet	Wells	0	\$0
North Slope	Seismic	0	\$0
North Slope	Wells	1	\$9,719,482
<b>Total 40 % credits issued</b>		2	\$10,474,101
<b>Total credits issued, (through 9.30.05)</b>		4	\$14,455,060

#### Disposition of Revenue

All revenue derived from the Oil and Gas Production Tax is deposited in the General Fund except that payments received as a consequence of an assessment are deposited in the Constitutional Budget Reserve Fund (CBRF).

#### History

1955 – The legislature enacts an oil and gas production tax of 1% of production value.

1967 – A 1% disaster production tax is enacted to provide relief after the Fairbanks flood

1968 – The legislature increases oil and gas production tax from 1% to 3% of production value.

1970 – The legislature repeals the disaster oil and gas production tax. The legislature changes the oil production tax to a graduated tax with rates of 3% on the first 300 barrels per day per well, 5% on the next 700 barrels per day per well, 6% on the next 1500 barrels

per day and 8% on production exceeding 2500 barrels per day per well.

1972 – The legislature establishes a minimum oil production tax based on "cents per barrel" equivalent to percent of value tax on oil with wellhead value of \$2.65 per barrel.

1973 – The legislature revises the "stairstep" rate schedule to lower production levels. The legislature indexes the cents per barrel minimum to the wholesale price index for crude oil published by the US Bureau of Labor Statistics.

1977 – The legislature raises the nominal gas production tax rate to 10%. The legislature raises the nominal oil production tax rate to 12.25% and adopts the oil and gas economic limit factors.

1981 – As part of legislation that repealed the separate accounting oil and gas corporation income tax, the nominal tax rate on oil produced prior to 1981 was raised to 15% and fields coming into production after 1981 are taxed at 12.25% for five years after which the rate increases to 15%. The oil economic limit factor is now subject to a rounding rule so that if the calculated factor is greater than or equal to 0.7 during the first 10 years of production, the factor is set to 1.0.

1989 – The legislature changes the economic limit factor for oil production taxes to include a field size factor in the formula, fixes the production at the economic limit (not rebuttable) at 300 barrels per well per day, and drops the rounding rule. The legislature fixes production at the economic limit for gas production at 3000 mcf per well per day.

2002 - Alaska Veterans' Memorial Endowment, SB 267, provides credits of up to 50% for contributions of not more than \$100,000 and 75% of the next \$100,000 in contributions made to the Veterans' Memorial Endowment Fund. The tax credit expired July 1, 2003.

2003 – To encourage drilling for oil and gas within the state, AS 43.55.025 provided a new tax credit for exploration costs. The minimum credit is 20% and the maximum 40% for qualified expenditures.

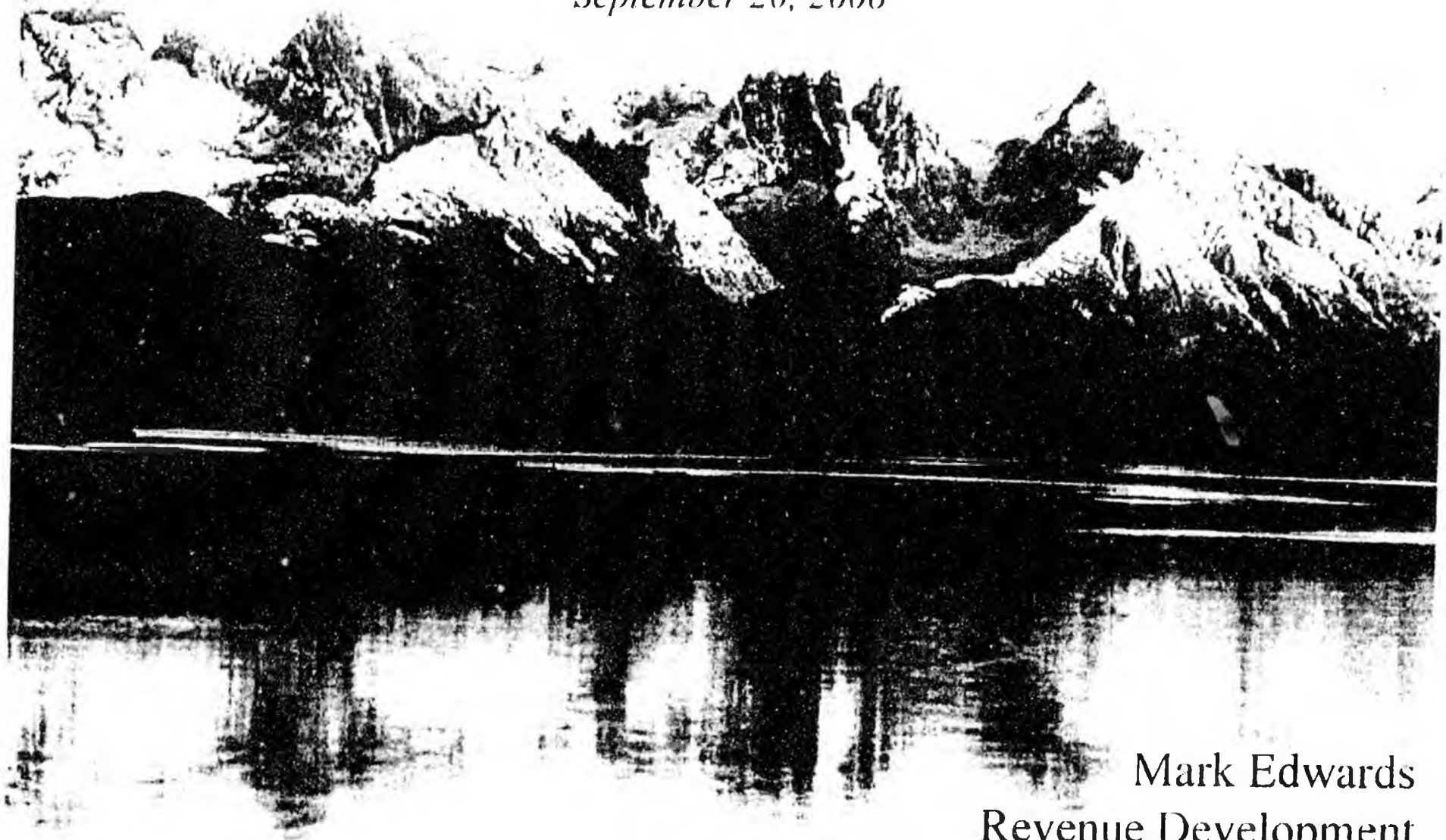
2005 - Prudhoe Bay area oil fields are aggregated for purposes of calculating the economic limit factor, effective February 1, 2005.

2005 – To expand the exploration credit enacted the previous year, the deadline was extended until July 1, 2010 for qualifying work south of the Brooks Range (i.e. non-North Slope). New rules also changed the 3 mile and 25 mile rules for the Cook Inlet allowing closer

# South Central Alaska Energy Forum

## *Taxes and Incentives*

*September 20, 2006*



Mark Edwards  
Revenue Development  
Department of Revenue

# Tradable Capital Investment Tax Credits - 43.55.023 (a)–(h)

- 20% tax credit for qualified capital expenditures  
And 20% Net Operating Loss
- Unused credit can be applied in future years
- Transferable and re-transferable with a certificate
- Producers of less than 50,000 BTU equivalent barrels per day can get a cash refund if they meet certain qualifications
- Flexible for a wide variety of circumstances, can be cashed out, traded or saved

# REPRESENTATIVE PAUL SEATON

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## ALASKA STATE LEGISLATURE House District 35

### *HB 48 Sponsor Statement*

HB 48 addresses the massive unfunded liability in the state retirement system by allowing the Alaska Management Retirement (ARM) Board to purchase transferable credits established under the Petroleum Profits Tax and obtain reimbursement of the credits through the Department of Revenue (DOR). The ARM Board shall then apply the return on their investment to the state's unfunded liability.

Under HB 48 the ARM Board is not required to purchase the credits. However, if the ARM Board does purchase the credit, it must do so at a rate of 92% of the face value of the credit certificate.

The Petroleum Production Tax (PPT) directs the DOR to reimburse companies for 100% of the face value of their transferable tax credit certificates (AS 43.55.023 (f)). When the ARM Board reimburses their credit purchased at 92% through the DOR for 100% face value, the Board will realize an 8% return on their investment. This is close to the ARM Board's annual target rate of 8.25% but because it is a short term instead of a yearly return it significantly improves the overall rate of return on their portfolio and reduces the state's long term unfunded liability.

HB 48 provides an additional benefit to small oil and gas companies. The PPT created a direct refund of up to \$25,000,000 in transferable tax credit per company each year. These transferable credits only arise when a company generates investment credit but has insufficient production tax against which to take the credit. This generally would be an exploration company before any production begins. Beyond that amount the credits are tradable and may be purchased and utilized to offset another company's PPT liability up to an annual limit of 20% of their tax liability. The explorers and small producers are concerned about the discount rate that they may be forced to accept for the transfer since the credits can only be applied to the PPT liability and there are few companies large enough (with enough tax liability under the PPT) to utilize the credits. In the past, 90% has been paid for similar credits, although with a limited pool of users this rate could fall to 70% or 80%. HB 48 would effectively set a "floor" on the discount rate at 92%, ensuring an equitable return for the companies actually making the investment in exploration.

**ALASKA STATE LEGISLATURE**

**REPRESENTATIVE PAUL SEATON**

House District 35

The language in HB 48 is permissive and does not require the DOR to incur a debt. Before the DOR reimburses the credit certificate the Commissioner must make the determination that the economic conditions are acceptable for the state to purchase the credit. Since the Commissioner of Revenue is a statutory member of the ARM Board the determination of the ability to get the face value reimbursement will be known by the Board before it takes action to purchase a transferable tax credit.

Sec. 43.55.022 Tax credits for certain losses and expenditures.

(a) A producer or explorer may take a tax credit for a qualified capital expenditure as follows:

(1) notwithstanding that a qualified capital expenditure may be a deductible lease expenditure for purposes of calculating the production tax value of oil and gas under AS 43.55.160 (a), unless a credit for that expenditure is taken under AS 38.05.180 (i), AS 41.09.010, AS 43.20.043, or AS 43.55.025, a producer or explorer that incurs a qualified capital expenditure may also elect to take a tax credit against a tax due under AS 43.55.011 (e) in the amount of 20 percent of the expenditure;

(2) a producer or explorer may take a credit for a qualified capital expenditure incurred in connection with geological or geophysical exploration or in connection with an exploration well only if the producer or explorer provides to the department, as part of the statement required under AS 43.55.030 (a) for the calendar year for which the credit is sought to be taken, the producer's or explorer's written agreement

(A) to notify the Department of Natural Resources, before the later of 30 days after completion of the geological or geophysical data processing or completion of the well, or 30 days after the statement is filed, of the date of completion and to submit a report to that department describing the processing sequence and provide a list of data sets available;

(B) to provide to the Department of Natural Resources, within 30 days after the date of a request, specific data sets, ancillary data, and reports identified in (A) of this paragraph;

(C) that, notwithstanding any provision of AS 38, the Department of Natural Resources shall hold confidential the information provided to that department under this paragraph for 10 years following the completion date, after which the department shall publicly release the information after 30 days' public notice.

(b) A producer or explorer may elect to take a tax credit in the amount of 20 percent of a carried-forward annual loss. A credit under this subsection may be applied against a tax due under AS 43.55.011 (e). For purposes of this subsection, a carried-forward annual loss is the amount of a producer's or explorer's adjusted lease expenditures under AS 43.55.165 and 43.55.170 for a previous calendar year that was not deductible for that calendar year under AS 43.55.160 (b) and (e).

(c) A credit or portion of a credit under this section may not be used to reduce a person's tax liability under AS 43.55.011 (e) for any calendar year below zero, and any unused credit or portion of a credit not used under this subsection may be applied in a later calendar year.

(d) Except as limited by (i) of this section, a person entitled to take a tax credit under this section that wishes to transfer the unused credit to another person may apply to the department for a transferable tax credit certificate. An application under this subsection must be in a form prescribed by the department and must include supporting information and documentation that the department reasonably requires. The department shall grant or deny an application, or grant an application as to a lesser amount than that claimed and deny it as to the excess, not later than 60 days after the latest of (1) March 31 of the year following the calendar year in which the qualified capital expenditure or carried-forward annual loss for which the credit is claimed was incurred; (2) if the applicant is required under AS 43.55.030(a) to file a statement on or before March 31 of the year following the calendar year in which the qualified capital expenditures or carried-forward annual loss for which the credit is claimed was incurred, the date the statement was filed; or (3) the date the application was received by the department. If, based on the information then available to it, the department is reasonably satisfied that the applicant is entitled to a credit, the department shall issue the applicant a transferable tax credit certificate for the amount of the credit. A certificate issued under this subsection does not expire.

(e) A person to which a transferable tax credit certificate is issued under (d) of this section may transfer the certificate to another person, and a transferee may further transfer the certificate. Subject to the limitations set out in (a) - (c) of this section, and notwithstanding any action the department may take with respect to the applicant under (g) of this section, the owner of a certificate may apply the credit or a portion of the credit shown on the certificate only against a tax due under AS 43.55.011 (e). However, a credit shown on a transferable tax credit certificate may not be applied to reduce a transferee's total tax due under AS 43.55.011 (e) on oil and gas produced during a calendar year to less than 80 percent of the tax that would otherwise be due without applying that credit. Any portion of a credit not used under this subsection may be applied in a later period.

(f) Under standards established in regulations adopted by the department and subject to appropriations made by law, the department, on the written application of the person to whom a transferable tax credit has been issued under (d) of this section and whose average amount of oil and gas produced a day taxable under AS 43.55.011 (e) is not more than 50,000 BTU equivalent barrels a day for the preceding calendar year, shall issue a cash refund, in whole or in part, for the certificate if the department finds

(1) within 24 months after having applied for the transferable tax credit certificate, that the applicant incurred a qualified capital expenditure or was the successful bidder on a bid submitted for a lease on state land under AS 38.05.180 (1);

(2) that the amount of the refund would not exceed the total of qualified capital expenditures and successful bids described in (1) of this subsection that have not been the subject of a finding made under this paragraph for purposes of a previous refund;

(3) that the applicant does not have an outstanding liability to the state for unpaid delinquent taxes under this title; and

(4) that the sum of the amount of the refund applied for and amounts previously refunded to the applicant during the calendar year under this subsection would not exceed \$25,000,000.

(g) The issuance of a transferable tax credit certificate under (d) of this section or the issuance of a cash refund under (f) of this section does not limit the department's ability to later audit a tax credit claim to which the certificate relates or to adjust the claim if the department determines, as a result of the audit, that the applicant was not entitled to the amount of the credit for which the certificate was issued. The tax liability of the applicant under AS 43.55.011 (e) and 43.55.017 - 43.55.180 is increased by the amount of the credit that exceeds that to which the applicant was entitled, or the applicant's available valid outstanding credit applicable against the tax levied by AS 43.55.011 (e) are reduced by that amount. If the applicant's tax liability is increased under this subsection, the increase bears interest under AS 43.05.225 from the date the transferable tax credit certificate was issued. For purposes of this subsection, an applicant that is an explorer is considered a producer subject to the tax levied by AS 43.55.011 (e).

(h) Regulations adopted to implement this section must include provisions prescribing reporting, record keeping, and certification procedures and requirements to verify the accuracy of credits claimed and to ensure that a credit is not used more than once.

(i) For the purposes of this section,

(1) a producer's or explorer's transitional investment expenditures are the sum of the expenditures the producer or explorer incurred after March 31, 2001, and before April 1, 2006, that would be qualified capital expenditures if they were incurred after March 31, 2006, less the sum of the payments or credits the producer or explorer received before April 1, 2006, for the sale or other transfer of assets, including geological, geophysical, or well data or interpretations, acquired by the producer or explorer as a result of expenditures the producer or explorer incurred before April 1, 2006, that would be qualified capital expenditures, if they were incurred after March 31, 2006;

(2) a producer or explorer may elect to take a tax credit against a tax due under AS 43.55.011 (e) in the amount of 20 percent of the producer's or explorer's transitional investment expenditures, but only to the extent that the amount does not exceed 1/10 of the producer's or explorer's qualified capital expenditures that are incurred during the calendar year for which the credit is taken;

(3) a producer or explorer may not take a tax credit for a transitional investment expenditure

(A) for any calendar year after the later of

(i) 2013; or

(ii) the sixth calendar year after the calendar year for which the producer first applies a credit under this subsection against a tax due under AS 43.55.011 (e), if the producer did not have commercial production of oil or gas from a lease or property in the state before April 1, 2006;

(B) more than once; or

(C) if a credit for that expenditure was taken under AS 38.05.180(i), AS 41.09.010, AS 43.20.043, or AS 43.55.025;

(4) notwithstanding (d), (e), and (g) of this section, a producer or explorer may not transfer a tax credit or obtain a transferable tax credit certificate for a transitional investment expenditure.

(j) As a condition of receiving a tax credit under this section, a producer or explorer that obtains the tax credit for or directly related to a pipeline, facility, or other asset that is or becomes subject to regulation by the Federal Energy Regulatory Commission, the Regulatory Commission of Alaska, or a successor regulatory body shall at all times support and in all rate proceedings file to flow through 100 percent of the tax credits to ratepayers as a reduction in the costs of service for the pipeline, facility, or other asset.

(k) In this section, "qualified capital expenditure"

(1) means, except as otherwise provided in (2) of this subsection, an expenditure that is a lease expenditure under AS 43.55.165 and is

(A) incurred for geological or geophysical exploration; or

(B) treated as a capitalized expenditure under 26 U.S.C. (Internal Revenue Code), as amended, regardless of elections made under 26 U.S.C. 263(c)(Internal Revenue Code), as amended, and is

(i) treated as a capitalized expenditure for federal income tax reporting purposes by the person incurring the expenditure; or

(ii) eligible to be deducted as an expense under 26 U.S.C. 263(c)(Internal Revenue Code), as amended;

(2) does not include an expenditure incurred to acquire an asset (A) the cost of previously acquiring which was a lease expenditure under AS 43.55.165 or would have been a lease expenditure under AS 43.55.165 if it had been incurred after March 31, 2006; for purposes of this subparagraph, "asset" includes geological, geophysical, and well data and interpretations; or (B) that has previously been placed in service in the state; an expenditure to acquire an asset is not excluded under this paragraph if not more than an immaterial portion of the asset meets a description under this paragraph.

# LEGAL SERVICES

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## MEMORANDUM

February 6, 2007

**SUBJECT:** CSHB 48(STA) (Work Order No. 25-LS0259\E)

**TO:** Representative Bob Lynn  
Chair of the House State Affairs Committee

**FROM:** Pam Finley  
Revisor of Statutes

Enclosed is the CS you requested. Unfortunately, the addition of a reference to AS 43.55.025 on page 2, lines 4 and 6, does not fit well. While AS 43.55.023 has a provision for a cash refund, AS 43.55.025 does not. AS 43.55.025(g) allows for the sale of certificates issued under that section, but does not provide for a cash refund. Therefore, the references to cash refunds on page 2, lines 6, 11, and 13 do not make sense when applied to certificates issued under AS 43.55.025.

PF:med  
07-077.med

Enclosure

# REPRESENTATIVE PAUL SEATON

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## ALASKA STATE LEGISLATURE House District 35

### MEMORANDUM

Date: February 1, 2007  
To: Representative Bob Lynn, Chairman  
House State Affairs Committee  
From: Representative Paul Seaton   
Re: HB 48 Bill Hearing Request

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I would like to request that HB 48 be scheduled in the House State Affairs Committee at your earliest possible convenience.

HB 48 allows the Alaska Retirement Management Board to purchase transferable tax credits established under 43.55.023 of the Petroleum Production Tax and allows the Department of Revenue to reimburse the ARM Board for these credits at 100% face value of the credit certificate. HB 48 directs the ARM Board to apply the return on this transaction to the unfunded liability in the state retirement system.

**Nancy Manly**

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**Subject:** Fiscal Notes HB 21 and HB 48

**Attachments:** HB021-DOA-GS-1-30-07 .pdf; HB048-REV-TT-02-05-07 .pdf

Londi: These are the two bills that passed out of STA Committee today. Attached is an electronic version of the fiscal notes.

Thanks,  
Nancy

2/6/2007

Conceptual Amendment to HB 48

*Amendment #1*

*Passed*

Page 2, line 4: after "43.55.023" insert "and 43.55.025" —

Page 2, line 5: after "43.55.023(1)" insert "and 43.55.025"

# FISCAL NOTE

**STATE OF ALASKA**  
**2007 LEGISLATIVE SESSION**

Fiscal Note Number: \_\_\_\_\_  
 Bill Version: HB 48  
 ( ) Publish Date: \_\_\_\_\_

Revision Date/Time (Note if correction): \_\_\_\_\_ Dept. Affected: Revenue 04  
 Title Retirement Board Purchase PPT Credits RDU Taxation and Treasury  
 Component Tax Division  
 Sponsor Representatives Seaton, Kelly  
 Requester (H) State Affairs Component No. 2476

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

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

OPERATING EXPENDITURES	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
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>						
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<b>CHANGE IN REVENUES ( )</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--Do not abbreviate)						
<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 (FY2007) cost: 0.0  
 Check this box (X) if funding for this bill is included in the Governor's FY 2008 budget proposal:

**POSITIONS**

Full-time						
Part-time						
Temporary						

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

\*This bill would authorize the Alaska Retirement Management Board (ARM) to purchase transferable tax credit certificates issued under AS 43.55.023 for 92 percent of the face value of the certificates. The ARM board would then sell the certificates to the Department of Revenue for the full face value of the certificates, unless the commissioner of the Department of Revenue determines that economic conditions are not acceptable for the state to purchase and pay for the certificates. The proceeds of these sales would be used by the ARM board to defray the unfunded pension liabilities for which the board is responsible.

Alaska Statutes 43.55 currently offers three clearly identifiable means of obtaining and selling tax credits for petroleum exploration activity and other capital costs relating to petroleum production.

Prepared by: Brian Andrews, Cherie Nienhuis and Roger Marks Phone 465-2300  
 Division Treasury and Tax Date/Time 2/5/07 10:00 AM  
 Approved by: Jerry Burnett Date 2/5/2006  
 Agency Department of Revenue

## FISCAL NOTE

STATE OF ALASKA  
2007 LEGISLATIVE SESSION

BILL NO. HB 48

### ANALYSIS CONTINUATION

AS 43.55.025, known as the Exploration Incentive Credit, offers tax credits for either 20% or 40% of exploration expenditures incurred before July 1, 2016. The certificates issued under this program can be carried forward or transferred. The bill under consideration (HB 48) does not authorize the purchase of these certificates.

Tax credits generated under AS 43.55.023, through excess capital expenditures or net losses, can also be carried forward or transferred. Current statutes allow these credit certificates to be sold to (1) other companies (AS 43.55.023(e)), or (2) to the state Department of Revenue (AS 43.55.023(f)).

Although there are qualifying criteria for the state's purchase of credit certificates at AS 43.55.023(f), there are no restrictions on the amount to be paid for the certificates (other than the maximum refund per taxpayer of \$25 million per year), and it is assumed that the state would pay full face value for the certificates. There are also no restrictions on the amount other companies can pay for the certificates, although it is assumed they would pay less than face value and current statutes limit the amount transferred certificates can reduce a taxpayer's liability to 20 percent per year.

Given the three options and their qualifying criteria, it is difficult to assess which program certificate holders will favor. Were the expenditures to qualify under the EIC 40% credit program, then it is likely that would be the first choice. Alternatively, should the expenditures qualify only for the 20% credit, then it is likely that the certificates would be transferred to the highest bidder. The highest bidder could be another company, the state Department of Revenue, or, under this bill, the ARM board.

**HB**

**52**

25-LS0267C  
Luckhaupt  
3/21/07

**CS FOR HOUSE BILL NO. 52( )**

**IN THE LEGISLATURE OF THE STATE OF ALASKA**

**TWENTY-FIFTH LEGISLATURE - FIRST SESSION**

**BY**

**Offered:  
Referred:**

**Sponsor(s): REPRESENTATIVE RAMRAS**

**A BILL**

**FOR AN ACT ENTITLED**

1 **"An Act relating to driver's licenses for persons under 18 years of age."**

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

3 **\* Section 1.** AS 28.15 is amended by adding a new section to read:

4 **Sec. 28.15.058. Special restriction on licensing for persons under 18 years**  
5 **of age.** (a) Notwithstanding another provision of law, the department may not issue a  
6 driver's license, provisional driver's license, instruction permit, temporary driver's  
7 license, or special driver's permit to a person under 18 years of age unless the person

8 (1) has graduated from high school or its equivalent or is enrolled in  
9 and attending an educational program that will lead to graduation from high school or  
10 its equivalent; and

11 (2) provides to the commissioner a valid, current certificate of good  
12 attendance from the principal of the school or educational program or chief  
13 administrative officer of the school district; the decision to issue a certificate of good  
14 attendance shall be based on the attendance policy of the school, district, or  
15 educational program.

1 (b) The department shall revoke the driver's license, provisional driver's  
2 license, instruction permit, temporary driver's license, or special driver's permit of a  
3 person under 18 years of age if the department discovers or receives notice that the  
4 person is no longer enrolled in or attending an educational program that qualifies  
5 under (a)(1) of this section or the certificate of good attendance has been withdrawn. A  
6 principal or chief administrative officer shall withdraw a certificate of good attendance  
7 and provide notice of that withdrawal to the department when the person no longer  
8 complies with the attendance policy of the school, district, or educational program.  
9 The department may reinstate the license or permit if the person

10 (1) meets the requirements of (a) of this section by reenrolling and  
11 attending an appropriate educational program and obtains a valid, current certificate of  
12 good attendance for that educational program; or

13 (2) obtains a certificate of exemption from the chief administrative  
14 officer of the school district in which the person resides that states

15 (A) the person is unable to pursue the educational program  
16 because of disability;

17 (B) the person is unable to pursue the educational program  
18 because the person is providing care or services to a disabled parent; or

19 (C) the person needs the license or permit because of the  
20 person's employment needs or the employment needs of another person in the  
21 same household.

22 (c) Subsections (a) and (b) of this section do not apply to a person who is not  
23 required to attend public school under AS 14.30.010(5)(1), (2), (10), (11), or (12).

Representative Jay Ramras  
Chair, House Judiciary  
House Labor & Commerce  
House Oil & Gas  
House Military & Veteran  
Affairs

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# Alaska State Legislature



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House District 10

## House of Representatives

### Memo

To: Representative Lynn  
From: Barbara Cotting *BC*  
Date: March 22, 2007  
Re: HB 52, "No Drivers' License for Minor Dropouts"

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Due to the number of concerns we've heard from parents who school their children at home, we're attaching a blank CS to specifically exempt home-schooled kids from the requirements of HB 52. See page 2, lines 22-23.

# Alaska State Legislature

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## Representative Jay Ramras House District 10

*Chair, House Judiciary Committee • Member, House Labor & Commerce Committee • Member, House Oil & Gas Committee • Member, House Military & Veteran Affairs Committee*

## Sectional Analysis

### HB 52

No Drivers Licenses for Minor Dropouts

03/23/07

Section 1a: A person under age 18 may not get a driver's license or permit unless the person has graduated from high school or is still in school and provides a current certificate of good attendance.

Section 1b: The driver's license or permit will be revoked if the student drops out of school or the certificate of good attendance is withdrawn.

However, the license or permit may be reinstated if the student:

re-enrolls and gets a current certificate of good attendance, or

obtains a certificate of exemption from the school district stating the person is unable to attend school because of disability or because of providing care to a disabled parent or needs the license because of employment.

Section 1c: These restrictions on obtaining a driver's license or permit do not apply if the student is enrolled in a state boarding school, is having a comparable educational experience, or is being educated at home by a parent or legal guardian.

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Fax: (907) 452-1146  
Toll Free: (877) 465-3004

## Representative Jay Ramras House District 10

*Chair, House Judiciary Committee • Member, House Labor & Commerce Committee • Member, House Oil & Gas Committee • Member, House Military & Veteran Affairs Committee*

### Sponsor Statement HB 52

No Drivers Licenses for Minor Dropouts

02/23/07

There's no question that Alaska's high school dropout rate is alarming. As a legislature, we need to make every effort we can to motivate and encourage students to complete high school.

This bill takes a step that other states are beginning to take. It prohibits issuance of a driver's license or permit to a person under 18 years of age unless the person has graduated from high school or is still in school and has a current certificate of good attendance.

In addition, if a person under 18 already has a driver's license or permit and subsequently drops out of school, the license or permit will be revoked.

Exceptions are allowed if the minor is unable to attend school due to disability or needs the license because of employment.

Alaska State Legislature  
House of Representatives

Chair, House Judiciary  
Labor & Commerce  
Oil & Gas  
Military & Veteran Affairs

1292 Sadler Way, Suite 324  
Fairbanks, Alaska 99701  
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While in session  
State Capitol, Room 118  
Juneau, Alaska 99801-1182  
(907) 465-3004  
Fax: (907) 465-2070  
Toll Free: (877) 465-3004

Representative Jay Ramras  
District 10

Rather than include the full reports, which are quite lengthy, we've attached excerpts from various research done on the subject of requiring school attendance for anyone under 18 to receive a driver's license or permit.

Full copies of these reports, as well as others, are available in our office. Feel free to contact Barbara Cotting at extension 6841 for more information.



— **Overview**

Broad policy decisions in education can be framed around a simple question: Do the benefits to society of investing in an educational strategy outweigh the costs?

We provide an answer for those individuals who currently fail to graduate from high school. The present cohort of 20-year olds in the US today includes over 700,000 high school dropouts, many from disadvantaged backgrounds. We investigate the economic consequences of improving their education.

First, we identify five leading interventions that have been shown to raise high school graduation rates; and we calculate their costs and their effectiveness. Second, we add up the lifetime public benefits of high school graduation. These include higher tax revenues as well as lower government spending on health, crime, and welfare. (We do not include private benefits such as higher earnings). Next, we compare the costs of the interventions to the public benefits.



We find that each new high school graduate would yield a public benefit of \$209,000 in higher government revenues and lower government spending for an overall investment of \$82,000, divided between the costs of powerful educational interventions and additional years of school attendance leading to graduation. The net economic benefit to the public purse is therefore \$127,000 per student and the benefits are 2.5 times greater than the costs.

If the number of high school dropouts in this age cohort was cut in half, the government would reap \$45 billion via extra tax revenues and reduced costs of public health, of crime and justice, and in welfare payments. This lifetime saving of \$45 billion for the current cohort would also accrue for subsequent cohorts of 20-year olds.

If there is any bias to our calculations, it has been to keep estimates of the benefits conservative. Sensitivity tests indicate that our main conclusions are robust: the costs to the nation of failing to ensure high school graduation for all America's children are substantial.

Educational investments to raise the high school graduation rate appear to be doubly beneficial: the quest for greater equity for all young adults would also produce greater efficiency in the use of public resources.



# StateNotes

## Accountability/Sanctions

Education Commission of the States • 700 Broadway, Suite 1200 • Denver, CO 80203-3460 • 303.299.3600 • Fax: 303.298.8332 • www.ecs.org

### Sanctions on Driving Privileges

By Molly Burke  
Updated February 2006

Policymakers and educators are looking for ways to keep students in school and motivate them to do well while they are there. One method states are using is tying attendance and/or school performance to driving privileges.

**Twenty-four** states have some type of policy connecting student attendance and/or achievement to the privilege of driving. **Nine** states make attendance a requirement and **five** states have minimum academic performance standards for initially obtaining a driver's license. **Eleven** states designate truancy or lack of academic progress a cause for suspension of a license. **Five** states have policies that address both the initial issuance of a driver's license and the ability of the state to suspend it for academic or attendance reasons.

These policies usually apply to 16- and 17-year-olds because 16 is the typical minimum age for a driver's license and 18 is the age of legal adulthood. For the compulsory school attendance ages for each state, see [Compulsory School Age Requirements](#) (Education Commission of the States, May 2004.)

Little research has been completed on the effect these types of laws have on truancy or dropout rates, but state policymakers should consider that, for many teenagers, driving is real currency. Promoting this privilege as a reward for attending and succeeding in school resonates with many students. Districts and/or schools may incur administrative costs in collaborating with the department of motor vehicles, but still these can be relatively low-cost policies.

This *StateNote* presents information and legislative language on the states that have policies tying driving privileges to attendance or academic performance. This report does not address policies that call for suspending licenses for criminal acts, such as expulsion due to firearm or drug possession.

*The following categories represent the spectrum of policies and some states' policies may fit in more than one category.*

#### States that require attendance in school to receive license:

Alabama	Rhode Island
Georgia	South Carolina
Idaho	Texas
Indiana	West Virginia
North Carolina	

**States that have attendance and performance standards for receiving license:**

Illinois  
Mississippi  
Oklahoma

Tennessee  
Virginia

**States with policies that suspend licenses for truancy and/or academic problems:**

Arkansas  
California  
Nevada  
Ohio  
Tennessee  
Wisconsin

Louisiana  
New Mexico  
Delaware  
Florida  
Kentucky

**States with policies that require attendance for both issuance and maintenance of license:**

California  
Florida  
Ohio

Rhode Island  
Tennessee

**Table 1: Selected Florida Education Statistics, 1998-2006**

<b>Year</b>	<b>Dropout Rate</b>	<b>Graduation Rate</b>	<b>Recidivism Rate<sup>(a)</sup></b>
1998-99	5.4	60.2	
1999-00	4.6	62.3	
2000-01	3.8	63.8	3.07
2001-02	3.2	67.9	4.98
2002-03	3.1	69.0	3.84
2003-04	2.9	71.6	3.80
2004-05	3.0	71.9	4.05
2005-06	3.5	71.0	5.00

**Notes:** Florida's law, which requires individuals under the age of 18 to meet certain educational requirements or qualify for a hardship waiver in order to retain driving privileges, was implemented in 1999. There may have also been other changes to Florida's education system at the state or local levels between 1998 and 2006.

(a) The recidivism rate is the number of individuals who have had their driving privileges suspended more than once.

**Sources:** Rich T. Downs, Florida School Counseling Consultant, Student Support Services Project. Mr. Downs can be reached at (850) 922-3732.

**Article 1. Compulsory Education.**

**Section**

- 10. When attendance compulsory
- 20. Violations
- 30. Prevention and reduction of truancy

**Section**

- 45. Grounds for suspension or denial of admission
- 47. Admission or readmission when cause no longer exists

**Collateral references.** — 68 Am. Jur. 2d Schools, § 216 et seq.  
78A C.J.S. Schools and School Districts, §§ 734-739.

Teacher's civil liability for administering corporal punishment. 43 ALR2d 469.

Regulations as to fraternities and similar associations connected with educational institution. 10 ALR3d 389.

Student organization registration statement, filed with public school or state university or college, as open to inspection by public. 37 ALR3d 1311.

What constitutes a private, parochial, or denominational school within statute making attendant at such school a compliance with compulsory school attendance law. 65 ALR3d 1222.

Student's right to compel school officials to issue degree, diploma, or the like. 11 ALR4th 1182.



**Sec. 14.30.010. When attendance compulsory.** (a) Every child between seven and 16 years of age shall attend school at the public school in the district in which the child resides during each school term. Every parent, guardian or other person having the responsibility for or control of a child between seven and 16 years of age shall maintain the child in attendance at a public school in the district in which the child resides during the entire school term, except as provided in (b) of this section.

(b) This section does not apply if a child

(1) is provided an academic education comparable to that offered by the public schools in the area, either by

(A) attendance at a private school in which the teachers are certificated according to AS 14.20.020;

(B) tutoring by personnel certificated according to AS 14.20.020; or

(C) attendance at an educational program operated in compliance with AS 14.45.100 — 14.45.200 by a religious or other private school;

(2) attends a school operated by the federal government;

(3) has a physical or mental condition that a competent medical authority determines will make attendance impractical;

(4) is in the custody of a court or law enforcement authorities;

(5) is temporarily ill or injured;

(6) has been suspended or expelled under AS 14.03.160 or suspended or denied admittance under AS 14.30.045;

(7) resides more than two miles from either a public school or a route on which transportation is provided by the school authorities, except that this paragraph does not apply if the child resides within two miles of a federal or private school that the child is eligible and able to attend;

(8) is excused by action of the school board of the district at a regular meeting or by the district superintendent subject to approval by the school board of the district at the next regular meeting;

(9) has completed the 12th grade;

(10) is enrolled in

(A) a state boarding school established under AS 14.16; or

(B) a full-time program of correspondence study approved by the department; in those school districts providing an approved correspondence study program, a student may be enrolled either in the district correspondence program or in the centralized correspondence study program;

(11) is equally well-served by an educational experience approved by the school board as serving the child's educational interests despite an absence from school, and the

request for excuse the principal or ad (12) is being ed

(c) If a parent, l of the child elects t after enrollment, th parent or guardian public school deterr of the child are no withdrawn from scl child until the child am § 5 ch 71 SLA J SLA 1977; am § 4 c § 4 ch 73 SLA 1988 SLA 1997; am § 1

**Cross references.** - part-time school attenda  
**Effect of amendmen** ment, effective May 16, wrote paragraph (6), sub section" in paragraph (7 changes in paragraph (1

**Quoted in L.A.M. v. :** 1976).  
**Stated in In re S.D., 5**

**Collateral references:** ents as defense to prosec with compulsory attenda  
Applicability of compul children of a specified who has passed the anniv ALR2d 874.  
Power of public school :

**Sec. 14.30.020. V** 14.30.010 is guilty of is a separate violation 1987)

**Cross references.** — t AS 12.55.035.

**Sec. 14.30.030. P** school district, includ dures to prevent and § 38 ch 98 SLA 1966, 1996)

**Effect of amendments,** effective September 10, 196

request for excuse is made in writing by the child's parents or guardian and approved by the principal or administrator of the school that the child attends;

(12) is being educated in the child's home by a parent or legal guardian.

(c) If a parent, legal guardian, or other person having the responsibility for or control of the child elects to enroll a child who is six years of age in first grade at a public school, after enrollment, the child is subject to the provisions of (a) and (b) of this section. If the parent or guardian of a child who is six years of age and is enrolled in first grade at a public school determines, within 60 days after the child is enrolled, that the best interests of the child are not being served by enrollment in the first grade, the child may be withdrawn from school, and the provisions of (a) and (b) of this section do not apply to the child until the child is seven years of age. (§ 37-7-1 ACLA 1949; am § 36 ch 98 SLA 1966; am § 5 ch 71 SLA 1972; am § 5 ch 190 SLA 1975; am § 1 ch 30 SLA 1976; am § 1 ch 10 SLA 1977; am § 4 ch 126 SLA 1978; am § 3 ch 11 SLA 1984; am § 1 ch 78 SLA 1987; am § 1 ch 73 SLA 1988; am § 16 ch 32 SLA 1997; am § 1 ch 68 SLA 1997; am § 16 ch 113 SLA 1997; am § 1 ch 57 SLA 2002)

**Cross references.** — For provisions related to part-time school attendance, see AS 14.03.095.

**Effect of amendments.** — The first 1997 amendment, effective May 16, 1997, in subsection (b), renumbered paragraph (6), substituted "paragraph" for "subsection" in paragraph (7), and made minor stylistic changes in paragraph (11).

The second 1997 amendment, effective September 2, 1997, added paragraph (b)(12).

The third 1997 amendment, effective September 30, 1997, made a minor stylistic change in subparagraph (b)(10)(A).

The 2002 amendment, effective July 1, 2002, added subsection (c).

NOTES TO DECISIONS

Quoted in *L.A.M. v. State*, 547 P.2d 827 (Alaska 1976).

Stated in *In re S.D.*, 549 P.2d 1190 (Alaska 1976).

Cited in *Matthews v. Quinton*, 362 P.2d 932 (Alaska 1961); *D.R.C. v. State*, 646 P.2d 252 (Alaska Ct. App. 1982).

**Collateral references.** — Religious beliefs of parents as defense to prosecution for failure to comply with compulsory attendance law. 3 ALR2d 1401.

Applicability of compulsory attendance law covering children of a specified age, with respect to a child who has passed the anniversary date of such age. 73 ALR2d 874.

Power of public school authorities to set minimum

or maximum age requirements for pupils in absence of specific statutory authority. 78 ALR2d 1021.

Residence for purpose of admission to public school. 83 ALR2d 497; 56 ALR3d 641.

What constitutes a private, parochial, or denominational school within statute making attendance at such school a compliance with compulsory school attendance law. 65 ALR3d 1222.

**Sec. 14.30.020. Violations.** A person who knowingly fails to comply with AS 14.30.010 is guilty of a violation. Each five days of unlawful absence under AS 14.30.010 is a separate violation. (§ 37-7-2 ACLA 1949; am § 37 ch 98 SLA 1966; am § 2 ch 78 SLA 1987)

**Cross references.** — For fines for violations, see AS 12.55.035.

**Sec. 14.30.030. Prevention and reduction of truancy.** The governing body of a school district, including a regional educational attendance area, shall establish procedures to prevent and reduce truancy. (§ 37-7-3 ACLA 1949; am § 1 ch 32 SLA 1949; am § 38 ch 98 SLA 1966; am § 55 ch 6 SLA 1984; am § 23 ch 85 SLA 1988; am § 3 ch 59 SLA 1996)

**Effect of amendments.** — The 1996 amendment, effective September 10, 1996, rewrote this section.

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# FISCAL NOTE

**STATE OF ALASKA**  
**2007 LEGISLATIVE SESSION**

Fiscal Note Number: HB052-DOA-DMV-3-30-07  
 Bill Version: HB 52  
 () Publish Date: \_\_\_\_\_

Revision Date/Time (Note if correction): \_\_\_\_\_ Dept. Affected: Administration  
 Title: "An Act relating to driver's licenses for persons under 18 years of age" RDU Division of Motor Vehicles  
 Component Motor Vehicles  
 Sponsor Rep. Ramras  
 Requester (H) STA Component No. 2348

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

Note: Amounts do not include inflation unless otherwise noted below

OPERATING EXPENDITURES	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
Personal Services	112.0	112.0	112.0	112.0	112.0	112.0
Travel	0.0	0.0	0.0	0.0	0.0	0.0
Contractual	0.0	0.0	0.0	0.0	0.0	0.0
Supplies	0.0	0.0	0.0	0.0	0.0	0.0
Equipment	0.0	0.0	0.0	0.0	0.0	0.0
Land & Structures	0.0	0.0	0.0	0.0	0.0	0.0
Grants & Claims	0.0	0.0	0.0	0.0	0.0	0.0
Miscellaneous	0.0	0.0	0.0	0.0	0.0	0.0
<b>TOTAL OPERATING</b>	<b>112.0</b>	<b>112.0</b>	<b>112.0</b>	<b>112.0</b>	<b>112.0</b>	<b>112.0</b>

<b>CAPITAL EXPENDITURES</b>	0.0	0.0	0.0	0.0	0.0	0.0
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<b>CHANGE IN REVENUES ( )</b>	0.0	0.0	0.0	0.0	0.0	0.0
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**FUND SOURCE (Thousands of Dollars)**

1002 Federal Receipts	0.0	0.0	0.0	0.0	0.0	0.0
1003 GF Match	0.0	0.0	0.0	0.0	0.0	0.0
1004 GF	0.0	0.0	0.0	0.0	0.0	0.0
1005 GF/Program Receipts	0.0	0.0	0.0	0.0	0.0	0.0
1037 GF/Mental Health	0.0	0.0	0.0	0.0	0.0	0.0
1156 Receipt Supported Services	112.0	112.0	112.0	112.0	112.0	112.0
<b>TOTAL</b>	<b>112.0</b>	<b>112.0</b>	<b>112.0</b>	<b>112.0</b>	<b>112.0</b>	<b>112.0</b>

Estimate of any current year (FY2007) cost: 0.0

Mark this box (X) if funding for this bill is included in the Governor's FY 2008 budget proposal:

**POSITIONS**

Full-time	2	2	2	2	2	2
Part-time						
Temporary						

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

This bill will add a requirement of good attendance from the appropriate educational program in order for a person, under age 18, to obtain and maintain a valid Alaska driver's license.

The Department of Education reports dropouts of nearly 3,500 students annually. The Division of Motor Vehicles (DMV) is factoring 5,000 persons may be affected at a rate of 1.5 times leading to 7,500 additional DMV transactions.

We anticipate additional workload equal to one (1) full-time Motor Vehicle Customer Service Representative (MVCSR, range 10) equivalent to meet this new mandate at the 'front-counter' position as well as one (1) MVCSR to process the revocations and notice of withdrawals.

Prepared by: Duane Bannock, Director Phone 269 5559  
 Division: Motor Vehicles Date/Time 3/30/07 10:00 AM  
 Approved by: Kevin Brooks, Deputy Commissioner Date 3/30/2007  
 Agency: Department of Administration

Chair, House Judiciary  
Labor & Commerce  
Oil & Gas  
Military & Veteran Affairs

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## Alaska State Legislature House of Representatives

While in session  
State Capitol, Room 118  
Juneau, Alaska 99801-1182  
(907) 465-3004  
Fax: (907) 465-2070  
Toll Free: (877) 465-3004

Representative Jay Ramras  
District 10

February 26, 2007

Representative Bob Lynn, Chair  
House State Affairs Committee

**RE: HB 52, No Drivers Licenses for Minor Dropouts**

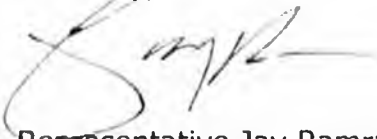
Dear Representative Lynn,

Please accept this memo as a hearing request for HB 52 in the House State Affairs Committee. Attached is the bill and pertinent information for your review.

Please contact Barbara Cotting at extension 6841 with any questions.

Thank you for your time and consideration.

Sincerely,



Representative Jay Ramras  
JR/bc

**HB**

**54**



# Alaska State Legislature



**Chairman**  
State Affairs Committee

**Vice-Chairman**  
Economic Development, Trade & Tourism  
Committee

**Member**  
Judiciary Committee  
Joint Armed Services Committee

**Finance Subcommittees**  
Corrections  
Labor and Workforce Development  
Military and Veterans' Affairs  
Public Safety

*A Communication From*  
**REPRESENTATIVE BOB LYNN**  
**District 31 Anchorage**

**E-Mail:** Representative\_Bob\_Lynn@legis.state.ak.us  
**"Bob Lynn's Alaska Blog"** RepBobLynnBlog.com

**Session:**  
Alaska State Capitol  
Juneau, AK 99801-1182

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Toll Free: (800) 870-4391

**Interim:**  
716 W. 4<sup>th</sup> Ave., #650  
Anchorage, AK 99501-2133

Phone: (907) 269-0205  
Fax: (907) 269-0207

## FAX

To: Legal Services

Fax #: 2029

From: Nancy Manly x2794  
Alaska State Capitol, room 104  
Juneau, AK 99801-1182

# of Pages (including cover): 4

Phone: 907-465-4931  
Fax: 907-465-4316

Re: HB 54 Construction of Legislative Hall

2/28/08

Please draft a final CS for HB 54 that passed out of the House State Affairs Committee as amended.

Amendment #1 (Lynn)  
Withdrawn

Conceptual Amendment #2 (Lynn)  
See attached (25-L.S0284M.1)

Conceptual Amendment #3 (Lynn)  
Withdrawn

Conceptual Amendment #4 (Johnson)  
Page 1 Line 8 after the word "for" ~~delete construction of~~ and after the word "a" ~~delete new~~  
Line 8 should then read: Council shall develop specifications for a legislative hall...

Amendment #1 to Amendment #4 (Roses)  
Page 1 Line 1 after the word "to" ~~delete construction of~~

Amendment #5 (Gruenberg)  
Failed

Amendment #1 to Amendment #5 (Lynn)  
Failed

Page 2 of 2  
Legal Services  
Drafting of Final CS for HB 54 State Affairs

Amendment #6 (Lynn)

Page 4 Line 25 - *insert* statute language for AS 44.06.050, AS 44.06.055, AS 44.06.060

The committee clearly wants the statute language inserted in the bill so it is transparent to the public exactly what the statute says that the legislature wants to repeal.

HOUSE STATE AFFAIRS  
COMMITTEE

Amendment #

2

*Conceptual*

25-LS0284/M.1

Cook

2/27/08

To Bill Number

HB 54

Sponsor:

LYNN

Date:

2/27/08

Logged By:

NW

**AMENDMENT**

OFFERED IN THE HOUSE

TO: CSHB 54( ), Draft Version "M"

*passed*

- 1 Page 3, following line 5:
- 2       Insert "(20) a child care facility;"
- 3
- 4 Renumber the following paragraph accordingly.

\*\*\*\*\*  
\*  
\* TRANSACTION REPORT \*  
\* FEB-28-2008 02:55 AM \*  
\* FOR: REP LYNN 4654316 \*  
\* \_\_\_\_\_ \*  
\* SEND \*  
\* DATE START RECEIVER PAGES TIME NOTE \*  
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\* FEB-28 02:54 AM 2029 3 45" OK \*  
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\*\*\*\*\*

MS. JULIE WELCH  
PO Box 39649  
Ninilchik, AK 99639

February 21, 2008

RE: HB 54

State of Alaska  
House of Representatives  
State Affairs Committee  
Juneau, Alaska

Dear Representative Chenault;

I sincerely thank you for your support of seniors and senior issues within your district and within our state

I am listening to the audio file of the State Affairs Committee hearing today, on February 21, 2008 discussing HB 54. A Juneau resident testified declaring all the wonderful things Juneau has done to 'create' or 'give' access to the capital city of this very large state.

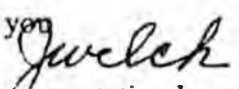
I thoroughly disagree with Rosemary's opinion. There is access to Juneau and our legislative sessions only for the rich or those who are independently wealthy. If an Alaskan resident does not live in Southeast there is no affordable access to Juneau. Most rural citizens (those not living on a road) can't even afford to take their family to a hub city for groceries and medical appointments. When families can not afford travel to a local hub city for food and/or medical support, they won't be spending an additional \$1,000 or more to visit Juneau for the legislative session.

Alaska Air's Constituent Fare with the small discount it offers is still impossible for most of Alaska's residents to visit Juneau during the Legislative Session. For a one afternoon visit to Juneau to meet with a Legislative member, flying out of Anchorage would cost at least \$900.00. The number of flights in to and out of Juneau is too few. In addition one airline has a virtual monopoly on both price and schedule.

I recognize that Juneau residents are fighting for the life-breath of their community. Those who choose to live in Juneau are responsible to discover a way to survive or thrive at their chosen location. It is not the responsibility of each resident of Alaska to find a way for a family or person in Juneau to have a living.

The largest number of Alaskans live on the road system. Please move the legislative sessions to a place accessible by a majority of Alaska's population. Please move the legislative sessions to a location on the road system.

Thank you

  
CF: Representative Lynn  
Representative Roses

## Nancy Manly

---

**From:** Nancy Manly  
**Sent:** Friday, February 29, 2008 2:56 PM  
**To:** Londi Ensor  
**Subject:** 3 Electronic Fiscal Notes for HB 54

**Attachments:** HB54.xls; HB054-DOA-GS-11-27-07.pdf; HB054-GOV-OMB-02 15 08.pdf



HB54.xls (43 KB) HB054-DOA-GS-11-HB054-GOV-OMB-0  
27-07.pdf (18 ... 2 15 08.pdf (18...

Londi - Here are three fiscal notes in electronic format for HB 54. The yellow bill file will be coming up on Monday after we get our final CS

Nancy Manly, Chief of Staff and  
House State Affairs Committee Aide for  
**Representative Bob Lynn**  
**House District 31**  
907-465-2794 Fax: 907-465-4316

# Locals protest proposal for legislative hall

Legislation would allow cities to bid for construction rights

By PAT FORGEY  
JUNEAU EMPIRE

A bill that would allow cities around Alaska to compete to build a new legislative hall for Alaska was the subject of an emotional hearing in the Legislature on Thursday.

House Bill 54 is the third in a series of capital-move-related bills under consideration in the Legislature this year, all sponsored by Southcentral representatives. It was introduced at

the start of the 2007 session.

The bill drew strong, and in some cases impassioned, responses from Juneau residents at a hearing before the House State Affairs Committee.

Juneau resident Al Judson called the bill destructive to the state.

## VOX

VOICE YOUR THOUGHTS

Would you support building a new legislative hall in Juneau if it ensured the capital would stay in Juneau?

Post your comments at  
<http://juneaublogger.com/voxbox/>

"I see this bill dividing people. I see this bill chopping people in half. I see people fighting each other when it is a useless waste of time," he said.

Committee Chairman Rep. Bob Lynn, R-Anchorage, called Judson's 10-minute testimony the most eloquent speech he'd heard in five years in the Legislature.

Judson said the mostly Anchorage-area legislators who were pushing the bill and a capital move were going against the will

Please see HALL, Page A4

A4 JUNEAU EMPIRE, FRIDAY, FEB. 22, 2008

## Hall: Palin supports killing FRANK Initiative

Continued from Page A1

of their own constituents. Every district in Anchorage voted against the capital move and for the FRANK Initiative, which requires public notice and approval of the cost before a move could take place.

House Bill 54 would repeal the FRANK Initiative.

"I have to say the Anchorage representatives are out of line with the wishes of the people of Anchorage," Judson said.

Gov. Sarah Palin said later she'd support repealing the FRANK Initiative and would take it on her administration's shoulders to let the public know the cost of a move.

"You've got to be honest with the public about how much it will cost," she said.

She said she didn't object to taking away the public's right to vote on a capital move, however, saying the Legislature would listen to the public before making such a decision anyway.

House Bill 54's sponsor, Rep. Mark Neuman, R-Wasilla, said Juneau shouldn't fear the bill, because it could enable the city to show it was the best location for a capital. He also spoke frequently of the bill's benefit of bringing the meetings of the Legislature closer to the bulk of

the population.

Neuman said the Matanuska-Susitna Borough, where he's from, would like to bid, and he's already been talking with a private developer interested in constructing a legislative hall there.

"I wouldn't have brought this forward if this was just pie in the sky," he said.

If Neuman's bill were to pass, it would delegate to the Legislative Council most of the implementation of the competition for a new capital, including deciding between applications.

The Legislative Council is made up of members of the House and Senate leaderships, and is chaired by Sen. John Cowdery, R-Anchorage, who has advocated moving the capital.

The Legislative Council is one of the few committees that does not have proportional representation. That is, House and Senate minorities get just a single seat on the council.

"I'm obviously concerned about the makeup of that committee," said Rosemary Hagevig, vice chairwoman of the Alaska Committee.

The bill was held in the House State Affairs Committee for further discussion.

• Contact reporter  
Pat Forgey at 586-4816 or  
[patrick.forgey@juneauempire.com](mailto:patrick.forgey@juneauempire.com).

# ALASKA STATE LEGISLATURE

*Chair:*  
Special Committee on Economic Development,  
Trade, & Tourism

*Vice Chair*  
Committee on Labor and Commerce

*Vice Chair:*  
Committee on Transportation

*Member:*  
Committee on Community and Regional Affairs  
Special Committee on Oil and Gas



*Session:*  
Alaska State Capitol  
Juneau, AK 99801-1182  
Phone (907) 465-2679  
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Toll Free (877) 465-2679

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600 E. Railroad Ave  
Wasilla, AK 99654  
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## REPRESENTATIVE MARK NEUMAN

Representative\_Mark\_Neuman@legis.state.ak.us

### Sponsor Statement for House Bill 54

The relative isolation of Juneau from much of state is a concern to many Alaskans; particularly at a time when the legislature has come under increasing public scrutiny. Also, due to its location, many Alaskans are unable to afford the hundreds of dollars in airfare, the hundred dollars a night for food and lodging, and the other costs associated with taking time away from work to travel to Juneau. While the floor session of both bodies and many committee meetings are available on cable television, or through the internet; over 25% of Alaskans do not have access to these media outlets. The net effect being; during the legislative session legislators remain isolated from the vast majority of Alaskans while easily accessible to lobbyists and special interests groups.

HB 54 will address the concerns expressed by Alaskans about access. This legislation provides an opportunity for all interested Alaskan entities to submit proposals to host the Alaska State Legislature. These proposals would compete on their merit and ability to meet the present and future needs of Alaska and her citizens. HB 54 would not affect the State Capital only the Alaska State Legislature – the Capital would remain Juneau.

The costs associated with building a new facility have always been of great concern to Alaskans. HB 54 creates an environment where the public and private sector partner together to share the benefits of hosting the legislature and the cost.

HB 54 would improve access to the legislative process for ordinary Alaskans by easing their physical access and improving the serviceable nature of the facilities.

# FISCAL NOTE

STATE OF ALASKA  
2008 LEGISLATIVE SESSION

Fiscal Note Number: \_\_\_\_\_  
 Bill Version: HB54  
 ( ) Publish Date: \_\_\_\_\_

Identifier (file name): HB054-GOV-OMB-02-14-08 Dept. Affected: All executive branch  
 Title: HB 54 Construction of a Legislative Hall RDU: All RDUs  
 Component: All Components  
 Sponsor: Representative(s) Neuman, Lynn  
 Requester: House State Affairs Component Number: \_\_\_\_\_

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

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

	Appropriation Required	Information					
		FY 2009	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
<b>OPERATING EXPENDITURES</b>							
Personal Services							
Travel							
Contractual							
Supplies							
Equipment							
Land & Structures							
Grants & Claims							
Miscellaneous							
<b>TOTAL OPERATING</b>	<b>0.0</b>	.	.	.	.	.	.

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

<b>CHANGE IN REVENUES ( )</b>							
-------------------------------	--	--	--	--	--	--	--

**FUND SOURCE** (Thousands of Dollars)

1007 Federal Receipts							
1003 GF Match							
1004 GF							
1005 GF/F Program Receipts							
1037 G. Mental Health							
Other Interagency Receipts							
<b>TOTAL</b>	<b>0</b>	.	.	.	.	.	.

Estimate of any current year (FY2008) cost: \_\_\_\_\_

**POSITIONS**

Full-time							
Part-time							
Temporary							

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

\* Costs can not be determined at this time since location of a legislative hall has not yet been determined. Once a site is selected, an impact study could be prepared at that time. Potential additional costs will include items such as travel, office space and furnishings, telephone/telecommunication services, the cost of which will vary depending on location.

Prepared by: John Boucher, Economist  
 Division: Governor's Office of Management and Budget  
 Approved by: Karen J. Rehfeld, Director  
Governor's Office of Management and Budget

Phone: 465-4677  
 Date/Time: 2/15/08 12:40 PM  
 Date: 2/15/2008

# FISCAL NOTE

**STATE OF ALASKA**  
**2008 LEGISLATIVE SESSION**

Fiscal Note Number: \_\_\_\_\_  
 Bill Version: HB 54  
 () Publish Date: \_\_\_\_\_

Identifier (file name): HB054-DOA-GS-11-27-07 Dept. Affected: Administration  
 Title: Construction of Legislative Hall RDU: General Services  
 Component: Non Public Building Fund  
 Sponsor: Representative Neuman  
 Requester: \_\_\_\_\_ Component Number: 404

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

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

	Appropriation Required		Information				
	FY 2009	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014
<b>OPERATING EXPENDITURES</b>							
Personal Services	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Travel	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Contractual	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Supplies	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Equipment	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Land & Structures	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Grants & Claims	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Miscellaneous	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<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>0.0</b>

<b>CAPITAL EXPENDITURES</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>0.0</b>
-----------------------------	------------	------------	------------	------------	------------	------------	------------

<b>CHANGE IN REVENUES ( )</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>0.0</b>
-------------------------------	------------	------------	------------	------------	------------	------------	------------

**FUND SOURCE** (Thousands of Dollars)

1002 Federal Receipts	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1003 GF Match	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1004 GF	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1005 GF/Program Receipts	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1037 GF/Mental Health	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other Interagency Receipts	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<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>	<b>0.0</b>

Estimate of any current year (FY2008) cost: \_\_\_\_\_

**POSITIONS**

Full-time	0.0	0.0	0	0	0	0	0
Part-time	0.0	0.0	0	0	0	0	0
Temporary	0.0	0.0	0	0	0	0	0

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

The Division of General Services does not expect any financial impact as a result of this bill.

Prepared by: Vern Jones  
 Division: General Services  
 Approved by: Kevin Brooks Deputy Commissioner  
Department of Administration

Phone 466  
 Date/Time 11/27/07 10:00AM  
 Date 11/27/2007

# FEASIBILITY REVIEW

## A Legislative Hall in the Matanuska-Susitna Borough



*February, 2006*

### Prepared by

- IFR & ASSOCIATES
- Livingston Slone

## **Executive Summary**

### **Scope of Report**

This report examines the following case:

The Mat-Su Borough decides to build a legislative hall within their jurisdiction. A developer is awarded the project and pays for the entire development. The sole compensation to the developer would be conveyance of Borough lands, which may or may not be contiguous to the legislative hall property.

It attempts to answer the following questions:

- How much land would need to be conveyed in order to make the project economically justifiable to a developer?
- What are the associated net present value, internal rate of return, hurdle rate, and return on investment to this development project?
- Is the development project a good idea and should further study take place?

### **Methods Employed**

In part one a financial model was developed to review the economics of this project. The model determines the land value necessary for conveyance to make the project economically justifiable. It does this by pegging a land value when the net present value of the assumed capital streams associated with this project equal zero at a given discount rate. Internal rate of return, hurdle rate, and return on investment are also determined. In part two a brief review of social and economic indicators relevant to the geographical location of the project is also performed.

### **Findings**

It is reasonable to expect a 6% rate of return on a development project of this type. At this rate the project is economic when a value of \$110M in land is conveyed to a developer as compensation for spending \$81M to build the legislative hall. Further, significant benefits could accrue to all parties involved. That is, the Mat-Su Borough government, local businesses, and the residents of the Mat-Su Borough would all benefit from this project.

### **Recommendation**

It is our recommendation that the Mat-Su Borough engage in further study regarding development of this project.

**A Legislative Hall in the Matanuska-Susitna Borough  
Feasibility Review**

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**APPENDICES**

**Appendix A: Capital Costs and Space Program Assumptions**

**Appendix B: Financing Details**

**Appendix C: Financial Model Details**

**Appendix D: Cost Assumptions**

**Appendix E: Borough Land Ownership Map**

## Introduction

A financial and economic review was made of the following case:

The Mat-Su Borough decides to build a legislative hall for the State Legislature within the Borough's jurisdiction. A developer is awarded the project and pays for the entire development. The sole compensation to the developer would be conveyance of Borough lands, which may or may not be contiguous to the legislative hall property.

### Assumptions

- Developer is immediately conveyed all lands for compensation
- Estimated capital cost of legislative hall development: \$81,000,000 (see Appendix A)
- Land value for legislative hall site provided by Borough at no cost to developer: \$1M
- Developer completes construction in 24 months
- Developer retains ownership of property (land and improvements) after development completion and leases it to the legislature on a twenty-five year lease at \$1.00 per year
- The lessee (State of Alaska) is responsible for all costs for operation, maintenance, repair, and tenant improvements upon commencement of the lease
- Developer retains all development rights for the site, to include all governmental and commercial uses compatible with a legislative hall
- Developer pays taxes on total value of property (land and improvement): \$82M
- Developer borrows 90% of the funds to finance the project at 7% for 15 years (see Appendix B)
- Developer pays 10% of the project cost with cash
- The break-even discount rate (internal rate of return) used to set the net present value of conveyed lands to zero is 6% (8%, 10%, and 12% are also provided for reference in Appendix C)
- No assumptions are being made as to other revenues, costs, or property value allocation at the end of the twenty-five year lease, as these factors are not definable without further input from the Mat-Su Borough and land development community (see Appendix D)

Part one of this report will address how much land value would need to be conveyed from the Borough to a developer in order to make a project of this magnitude economically justifiable. This will be done through a financial analysis in which a model has been developed to determine land value, net present value, internal rate of return, hurdle rate, and return on investment at the point of project feasibility. Part two of this report will perform a review of social and economic data relevant to the geographical location of the project.

## **Part 1: Financial Analysis**

A model was designed using the assumptions outlined in the Introduction above. Further assumptions were needed and are explained below. The model analyzes assumed capital inflow and outflow streams over the twenty-five year lease period of the project. The inflows represent the value of lands conveyed to the developer in lieu of monetary payment. The outflows represent taxes on the property to be developed and owned by the developer, as well as the debt service required for the development. Net present value (NPV), internal rate of return (IRR), hurdle rate, and return on investment (ROI) were all determined.

### **Model Explanation and Output**

When the future capital streams of a project are discounted back to present day and added to the initial inflow or outflow of capital, the NPV of a project is determined. According to financial theory, when NPV is positive the project is economic and should be undertaken. If the NPV is negative just the opposite is true. When NPV is equal to zero an investor should be, in theory, indifferent as to taking on the project. For the purpose of this report, NPV equals zero is the point at which a project becomes economically justifiable and an investor would accept the project.

When discounting a revenue stream a discount rate must be assumed. The discount rate can be looked at as the rate of return a developer could expect to get on another project of similar risk. That is, the opportunity cost (what a developer is giving up) of taking on the project in question. It is also commonly referred to as the cost of capital.

The IRR is the discount rate at which NPV equals zero, also referred to as the break-even discount rate. A hurdle rate is the minimum required rate of return for an investor. It will be assumed that the hurdle rate is set at the point when the project is economically justifiable (NPV equals zero). Therefore, for the purposes of this report the hurdle rate and the IRR are the same.

ROI is the ratio of investment income to investment capital. To estimate ROI, the project debt service was discounted over its duration using the cost of debt as the discount rate and then adding its present value to the initial outlay of capital by the developer. This was subtracted from the land value conveyed for compensation and used as investment income in the numerator of the ratio calculation. Project debt service discounted over its duration using the cost of debt as the discount rate and then adding its present value to the initial outlay of capital by the developer was used as invested capital in the denominator portion of the ratio calculation.

Typically, ROI looks at the earnings of a stock or business division and is easily deciphered. The assumed capital flows of this project are unconventional, as investment will be spread out over twenty-five years while compensation is received immediately (Table 1 shows the assumed capital inflows and outflows). Although it can be helpful, using ROI as an assessment tool for this project should be done with caution. It is recommended that more attention be given to NPV and IRR as rationale for land value.

**Table 1**

Period	Capital Inflows at Given Discount Rates (Millions \$)	Capital Outflows (Millions \$)
0	\$110 @ 6%, \$95 @ 8%, \$83 @ 10%, \$74 @ 12%	
1		(\$8.31)
2		(\$8.75)
3		(\$8.75)
4		(\$8.75)
5		(\$8.75)
6		(\$8.77)
7		(\$8.77)
8		(\$8.77)
9		(\$8.77)
10		(\$8.77)
11		(\$8.78)
12		(\$8.78)
13		(\$8.78)
14		(\$8.78)
15		(\$8.78)
16		(\$8.80)
17		(\$8.80)
18		(\$8.80)
19		(\$8.80)
20		(\$8.80)
21		(\$9.6)
22		(\$9.6)

**Table 1 Cont.**

Period	Capital Inflows at Given Discount Rates (Millions \$)	Capital Outflows (Millions \$)
23		(\$96)
24		(\$96)
25		(\$96)

The model determines the amount of land value that would be required for a project of this nature to become economically justifiable. It does this by pegging the land value when the project NPV equals zero for a given a discount rate (in this case the IRR and hurdle rate). The analysis is done on four different rates: 6%, 8%, 10%, and 12%. Table 2 shows the model output for the four different rates.

**Table 2**

Discount Rate (IRR and Hurdle Rate)	NPV	ROI	Land Value
6%	0	13 %	\$110M
8%	0	- 3 %	\$95M
10%	0	- 15 %	\$83M
12%	0	- 24 %	\$74M

Figure 1 tells us that for the assumed capital flows associated with this project over twenty-five years, a developer expecting a 12% rate of return would require \$74M in land value to make the project economic. Likewise, a developer expecting a 6% rate of return would require \$110M in land value to make the project economic. Also shown are values for 8% and 10%. A look at the respective ROIs tells us that 6% is probably the most realistic discount rate. This is in line with industry rates of return on similar sized projects in South-Central Alaska for land development.

It is important to note that at this point there is a dearth of knowledge concerning project specifics on the development in question. Therefore the assumptions input into the model are basic. An actual deal concerning a development project of this magnitude would involve many more elements that are not represented in this model. There will be other benefits and costs associated with such an undertaking. Most obvious is the benefit to a developer of the land conveyance.

They would see an increased rate of return on future projects due to a lower initial investment as a result of having no land costs associated with those developments.

Of course there would also be other costs, such as property taxes levied on the conveyed lands. However, costs such as taxes have the potential of being marginalized in a comprehensive deal. One strategy to mitigate tax liability would be to transfer land ownership to a developer in stages over time, in amounts that can be developed during the same period of conveyance.

It is logical to conclude, though not easily determined within the scope of this study, that significant additional financial benefits would accrue to a developer. Under most circumstances, the land would be developed in a manner that produced recurring and/or non-recurring revenue streams, effectively diminishing the Borough's land commitment. Therefore the amount of land value reported in this review as necessary for economic viability runs the risk of being overstated. This assertion can only be validated and better defined through a more comprehensive study.

## Part 2: Economic Review

Because compensation for the development project is Borough lands, the question of whether a development company would undertake such a project is important to ask. In studying this question one could assume that lands conveyed to the development company, aside from having its own value derived from the ability to sell it, could also be developed at some point. One key factor to future development on conveyed lands concerns the issue of whether the legislative hall would be constructed in a rural area with an associated "village," or built in a suburban "commercial core" area. Each location option contains a unique set of economic impact implications. The more rural "village" location necessitates more infrastructure costs and is more influenced by the seasonal nature of the Legislature's session. The suburban "commercial core" location assumes ready infrastructure and more year-round adjacent commercial activities. This lessens the seasonal economic impacts upon the development. For purposes of this review, we have assumed a project located within the Borough's core area between Palmer and Wasilla (see Appendix E). The next question becomes one of whether the Mat-Su Borough is an attractive place to invest for purposes of land development.

It can be assumed development companies are looking for business and need land to develop projects. Further, when making project location decisions a development company must choose where to extend its limited resources. A choice to take on a project in one area limits its capacity to take on a project in another area. Therefore, careful consideration is given as to where it is best to allocate resources.

In South-Central Alaska, a safe assumption would be that the Mat-Su Borough and Anchorage are two of the largest economic areas in the region with great potential for development. Another sound assumption would be that a development company located in Anchorage or the Mat-Su Borough could develop a project in either area. So which area do you choose? A look at some relevant statistics can help answer this question.

### Statistics

The Anchorage Daily news recently reported that according to the State of Alaska, in a report done in conjunction with the U.S. Census Bureau, the Mat-Su Borough expanded by 5 percent last year, to 74,000 people. That makes it the largest growth center in the State. In contrast, Anchorage grew by only 0.1 percent. Further, as nearly 2,900 people moved into the Borough

about the same amount left Anchorage, implying that the Mat-Su Borough's population growth can largely be attributed to people leaving Anchorage.<sup>1</sup>

That is in line with the predictions of the Institute for Social and Economic Research (ISER) located in Anchorage, Alaska. In a November 2004 report ISER did for Chugach Electric Association, economist Scott Goldsmith concludes that the rate of growth in the Mat-Su Borough would surpass Anchorage by as much as 3 times over the next 25 years. He calculated a Borough population of 156,000 by 2030. This is expected even without construction of a much-anticipated Knik Arm bridge.<sup>2</sup>

### Analysis

As land in Anchorage becomes scarce and housing values climb it appears people are leaving Anchorage for the Mat-Su Borough. The resulting population growth creates a demand for residential and commercial developments. In order to absorb this growth the Mat-Su Borough will need to open up government land for private development. The Borough needs these developments in order to manage its growth properly, as the residents of the Borough would benefit through both greater access to business resources through commercial development and lower home prices by increasing the amount of available homes through residential development.

### Conclusion

Setting aside any political considerations, it is our opinion that the arrangement studied herein for the development of a legislative hall in the Mat-Su Borough is a sound concept. It would be a positive program to implement the much-needed conveyance of Borough land into private hands. It is reasonable that a developer would take on the project for lands in lieu of monetary compensation, as the Mat-Su Borough is an attractive area to develop residential and commercial properties, given the Mat-Su's geographical relationship to Anchorage. Residents and businesses of the Borough would benefit as well. In economics this situation is referred to as *pareto optimal*. That is, everyone benefits and no one loses. It is our recommendation that the Mat-Su Borough engage in further study regarding development of this project.

---

<sup>1</sup> Anchorage Daily News, 1/26/2006, "Valley growth gains speed," Kyle Hopkins

<sup>2</sup> Institute for Social and Economic Research, 11/1/2004, "Economic Projections for Alaska and the Southern Railbelt," Scott Goldsmith,  
<http://www.iser.uaa.alaska.edu/Publications/epal:southernrail04/railbelt04.htm>

**Appendix A:  
Capital Costs and Space  
Program Assumptions**

## Anticipated Project Capital Costs

Land +/- 160 Acres (Government Provided)	\$0
Construction (Sitework and Building with Group I Casework)	\$60,000,000
Project Development (Design, Permitting, Legal Reviews, Site Data, Administration/Management, Contingency and Development Fees)	\$21,000,000
<b>Total Capital Cost</b>	<b>\$81,000,000</b>

Notes:

1. Current (2006) Values
2. Exclusive of Financing Costs
3. All Group II and III Moveable Furniture and Equipment, Communications Equipment and Computers are by Others

A Legislative Hall in the Matanuska-Susitna Borough - Feasibility Review

**Space Components and Areas**

	Number of Rooms	N.S.F. per Room	Total N.S.F.	Area Totals NSF
<b>Executive Branch Visiting Offices</b>				<b>4,290</b>
Governor	1	1000	1000	
Lt. Governor	1	600	600	
Commissioners	6	600	3600	
Conference	1	800	800	
Reception	1	400	400	
Copy Room	1	200	200	
Washrooms	2	300	600	
Circulation	10%	3900	390	
<b>Senate</b>				<b>36,388</b>
President's Office	1	1080	1080	
Legislative Office	17	760	12920	
Finance Comm Co-Chair	2	960	1920	
Senate Secty	1	720	720	
Finance Comm Hearing Rm	1	1500	1500	
Finance Com Secty	1	260	260	
Hearing Rooms	8	1000	8000	
Special Mtg/Conf Rooms	4	350	1400	
Chambers	1	2875	2875	
Gallery	1	1600	1600	
Page Room	1	290	290	
Media/Press Web Room	1	600	600	
Copy Room	1	528	528	
Circulation	8%	33693	2695	
<b>House</b>				<b>53,669</b>
Speakers Office	1	1080	1080	
Legislative Office	37	760	28120	
Finance Committee Co-Chair	2	960	1920	
House Clerk	1	820	820	
Finance Committee Hearing Rm	1	1500	1500	
Finance Committee Secty	1	260	260	
Hearing Rooms	8	1000	8000	
Special Mtg/Conf Rooms	4	350	1400	
Chambers	1	4000	4000	
Gallery	1	1600	1600	
Page room	1	290	290	
Media/Press/Web	1	600	600	
Copy room	1	568	568	
Circulation	7%	50158	3511	
<b>Legislative Affairs</b>				<b>4,218</b>
Executive Director	1	800	800	
Legislative Information Office	1	1500	1500	
Senate/House Records	1	1200	1200	
Legal Satellite	1	200	200	
Circulation	14%	3700	518	

	Number of Rooms	N.S.F. per Room	Total N.S.F.	Area Totals NSF
<b>Legislative Support</b>				<b>7,362</b>
Supply/Mail/Doc Distribution	1	1450	1450	
Data Services	1	1600	1600	
Staff Break Rooms	4	352	1408	
Legislative Lounge	1	2000	2000	
Circulation	14%	6458	904	
<b>Public Space</b>				<b>16,500</b>
Visitor's Business Center	1	2000	2000	
Press Room/Storage	1	800	800	
Public Café	1	2000	2000	
Gathering/Public Display	1	10000	10000	
Security/Information	1	200	200	
Circulation	10.00%	15000	1500	
<b>Building Support</b>				<b>11,861</b>
Building Manager Office	1	300	300	
Security Office	1	250	250	
Building Maintenance Shop	1	2080	2080	
Loading Dock	1	460	460	
Receiving/Staging	1	500	500	
Trash Recycle/Storage	1	500	500	
Groundskeeping Storage	1	1000	1000	
Custodial Supplies	1	500	500	
Electrical	1	1000	1000	
Heating Plant	1	4000	4000	
Circulation	12%	10590	1271	
<b>TOTAL NET SQUARE FEET</b>				<b>134,288</b>
<b>GROSSING FACTOR</b>			<b>33%</b>	<b>44,762</b>
<b>TOTAL GROSS SQUARE FEET</b>				<b>179,051</b>

Sources: 1. House Bill 23  
2. Alaska State Capitol; Space Program January 2005

# **Appendix B: Financing Details**

## Financing Details

Loan amount	\$72,900,000
Annual interest rate	7%
Loan period in years	15
Start date of loan	1/31/07

		Annual
Monthly payment	\$655,245.81	\$7,062,950
Number of payments	180	
Total interest	\$45,044,245.70	
Total cost of loan	#####	

No.	Payment Date	Beginning Balance	Payment	Principal	Interest	Ending Balance
1	3/3/07	\$ 72,900,000.00	\$ 655,245.81	\$ 229,995.81	\$ 425,250.00	\$ 72,670,004.19
2	3/31/07	72,670,004.19	655,245.81	231,337.45	423,908.36	72,438,666.74
3	5/1/07	72,438,666.74	655,245.81	232,686.92	422,558.89	72,205,979.82
4	5/31/07	72,205,979.82	655,245.81	234,044.26	421,201.55	71,971,935.56
5	7/1/07	71,971,935.56	655,245.81	235,409.52	419,836.29	71,736,526.04
6	7/31/07	71,736,526.04	655,245.81	236,782.74	418,463.07	71,499,743.30
7	8/31/07	71,499,743.30	655,245.81	238,163.97	417,081.84	71,261,579.33
8	10/1/07	71,261,579.33	655,245.81	239,553.26	415,692.55	71,022,026.06
9	10/31/07	71,022,026.06	655,245.81	240,950.66	414,295.15	70,781,075.40
10	12/1/07	70,781,075.40	655,245.81	242,356.20	412,889.61	70,538,719.20
11	12/31/07	70,538,719.20	655,245.81	243,769.95	411,475.86	70,294,949.25
12	1/31/08	70,294,949.25	655,245.81	245,191.94	410,053.87	70,049,757.32
13	3/2/08	70,049,757.32	655,245.81	246,622.23	408,623.58	69,803,135.09
14	3/31/08	69,803,135.09	655,245.81	248,060.85	407,184.95	69,555,074.24
15	5/1/08	69,555,074.24	655,245.81	249,507.88	405,737.93	69,305,566.36
16	5/31/08	69,305,566.36	655,245.81	250,963.34	404,282.47	69,054,603.02
17	7/1/08	69,054,603.02	655,245.81	252,427.29	402,818.52	68,802,175.73
18	7/31/08	68,802,175.73	655,245.81	253,899.78	401,346.03	68,548,275.94
19	8/31/08	68,548,275.94	655,245.81	255,380.87	399,864.94	68,292,895.08
20	10/1/08	68,292,895.08	655,245.81	256,870.59	398,375.22	68,036,024.49
21	10/31/08	68,036,024.49	655,245.81	258,369.00	396,876.81	67,777,655.49
22	12/1/08	67,777,655.49	655,245.81	259,876.15	395,369.66	67,517,779.34
23	12/31/08	67,517,779.34	655,245.81	261,392.10	393,853.71	67,256,387.24

No.	Payment Date	Beginning Balance	Payment	Principal	Interest	Ending Balance
24	1/31/09	67,256,387.24	655,245.81	262,916.88	392,328.93	66,993,470.36
25	3/3/09	66,993,470.36	655,245.81	264,450.57	390,795.24	66,729,019.79
26	3/31/09	66,729,019.79	655,245.81	265,993.19	389,252.62	66,463,026.60
27	5/1/09	66,463,026.60	655,245.81	267,544.82	387,700.99	66,195,481.78
28	5/31/09	66,195,481.78	655,245.81	269,105.50	386,140.31	65,926,376.28
29	7/1/09	65,926,376.28	655,245.81	270,675.28	384,570.53	65,655,701.00
30	7/31/09	65,655,701.00	655,245.81	272,254.22	382,991.59	65,383,446.77
31	8/31/09	65,383,446.77	655,245.81	273,842.17	381,403.44	65,109,604.40
32	10/1/09	65,109,604.40	655,245.81	275,439.78	379,806.03	64,834,164.62
33	10/31/09	64,834,164.62	655,245.81	277,046.52	378,199.29	64,557,118.11
34	12/1/09	64,557,118.11	655,245.81	278,662.62	376,583.19	64,278,455.48
35	12/31/09	64,278,455.48	655,245.81	280,288.15	374,957.66	63,998,167.33
36	1/31/10	63,998,167.33	655,245.81	281,923.17	373,322.64	63,716,244.17
37	3/3/10	63,716,244.17	655,245.81	283,567.72	371,678.09	63,432,676.45
38	3/31/10	63,432,676.45	655,245.81	285,221.86	370,023.95	63,147,454.58
39	5/1/10	63,147,454.58	655,245.81	286,885.66	368,360.15	62,860,568.93
40	5/31/10	62,860,568.93	655,245.81	288,559.16	366,686.65	62,572,009.77
41	7/1/10	62,572,009.77	655,245.81	290,242.42	365,003.39	62,281,767.35
42	7/31/10	62,281,767.35	655,245.81	291,935.50	363,310.31	61,989,831.85
43	8/31/10	61,989,831.85	655,245.81	293,638.46	361,607.35	61,696,193.39
44	10/1/10	61,696,193.39	655,245.81	295,351.35	359,894.46	61,400,842.04
45	10/31/10	61,400,842.04	655,245.81	297,074.23	358,171.58	61,103,767.81
46	12/1/10	61,103,767.81	655,245.81	298,807.16	356,438.65	60,804,960.65
47	12/31/10	60,804,960.65	655,245.81	300,550.21	354,695.60	60,504,410.44
48	1/31/11	60,504,410.44	655,245.81	302,303.42	352,942.39	60,202,107.03
49	3/3/11	60,202,107.03	655,245.81	304,066.85	351,178.96	59,898,040.18
50	3/31/11	59,898,040.18	655,245.81	305,840.58	349,405.23	59,592,199.60
51	5/1/11	59,592,199.60	655,245.81	307,624.65	347,621.16	59,284,574.96
52	5/31/11	59,284,574.96	655,245.81	309,419.12	345,826.69	58,975,155.83
53	7/1/11	58,975,155.83	655,245.81	311,224.07	344,021.74	58,663,931.77
54	7/31/11	58,663,931.77	655,245.81	313,039.54	342,206.27	58,350,892.23
55	8/31/11	58,350,892.23	655,245.81	314,865.60	340,380.20	58,036,026.62
56	10/1/11	58,036,026.62	655,245.81	316,702.32	338,543.49	57,719,324.30
57	10/31/11	57,719,324.30	655,245.81	318,549.75	336,696.06	57,400,774.55
58	12/1/11	57,400,774.55	655,245.81	320,407.96	334,837.85	57,080,366.59
59	12/31/11	57,080,366.59	655,245.81	322,277.00	332,968.81	56,758,089.59
60	1/31/12	56,758,089.59	655,245.81	324,156.95	331,088.86	56,433,932.63
61	3/2/12	56,433,932.63	655,245.81	326,047.87	329,197.94	56,107,884.77
62	3/31/12	56,107,884.77	655,245.81	327,949.81	327,295.99	55,779,934.95
63	5/1/12	55,779,934.95	655,245.81	329,862.86	325,382.95	55,450,072.09
64	5/31/12	55,450,072.09	655,245.81	331,787.06	323,458.75	55,118,285.04
65	7/1/12	55,118,285.04	655,245.81	333,722.48	321,523.33	54,784,562.56
66	7/31/12	54,784,562.56	655,245.81	335,669.19	319,576.61	54,448,893.36
67	8/31/12	54,448,893.36	655,245.81	337,627.26	317,618.54	54,111,266.10
68	10/1/12	54,111,266.10	655,245.81	339,596.76	315,649.05	53,771,669.34
69	10/31/12	53,771,669.34	655,245.81	341,577.74	313,668.07	53,430,091.60
70	12/1/12	53,430,091.60	655,245.81	343,570.28	311,675.53	53,086,521.33

No.	Payment Date	Beginning Balance	Payment	Principal	Interest	Ending Balance
71	12/31/12	53,086,521.33	655,245.81	345,574.44	309,671.37	52,740,946.89
72	1/31/13	52,740,946.89	655,245.81	347,590.29	307,655.52	52,393,356.61
73	3/3/13	52,393,356.61	655,245.81	349,617.90	305,627.91	52,043,738.71
74	3/31/13	52,043,738.71	655,245.81	351,657.33	303,588.48	51,692,081.38
75	5/1/13	51,692,081.38	655,245.81	353,708.67	301,537.14	51,338,372.71
76	5/31/13	51,338,372.71	655,245.81	355,771.97	299,473.84	50,982,600.74
77	7/1/13	50,982,600.74	655,245.81	357,847.31	297,398.50	50,624,753.44
78	7/31/13	50,624,753.44	655,245.81	359,934.75	295,311.06	50,264,818.69
79	8/31/13	50,264,818.69	655,245.81	362,034.37	293,211.44	49,902,784.32
80	10/1/13	49,902,784.32	655,245.81	364,146.23	291,099.58	49,538,638.09
81	10/31/13	49,538,638.09	655,245.81	366,270.42	288,975.39	49,172,367.67
82	12/1/13	49,172,367.67	655,245.81	368,407.00	286,838.81	48,803,960.67
83	12/31/13	48,803,960.67	655,245.81	370,556.00	284,689.77	48,433,404.63
84	1/31/14	48,433,404.63	655,245.81	372,717.62	282,528.19	48,060,687.01
85	3/3/14	48,060,687.01	655,245.81	374,891.80	280,354.01	47,685,795.21
86	3/31/14	47,685,795.21	655,245.81	377,078.67	278,167.14	47,308,716.54
87	5/1/14	47,308,716.54	655,245.81	379,278.30	275,967.51	46,929,438.25
88	5/31/14	46,929,438.25	655,245.81	381,490.75	273,755.06	46,547,947.49
89	7/1/14	46,547,947.49	655,245.81	383,716.12	271,529.69	46,164,231.38
90	7/31/14	46,164,231.38	655,245.81	385,954.46	269,291.35	45,778,276.92
91	8/31/14	45,778,276.92	655,245.81	388,205.86	267,039.95	45,390,071.06
92	10/1/14	45,390,071.06	655,245.81	390,470.39	264,775.41	44,999,600.66
93	10/31/14	44,999,600.66	655,245.81	392,748.14	262,497.67	44,606,852.52
94	12/1/14	44,606,852.52	655,245.81	395,039.17	260,206.64	44,211,813.35
95	12/31/14	44,211,813.35	655,245.81	397,343.56	257,902.24	43,814,469.79
96	1/31/15	43,814,469.79	655,245.81	399,661.40	255,584.41	43,414,808.39
97	3/3/15	43,414,808.39	655,245.81	401,992.76	253,253.05	43,012,815.63
98	3/31/15	43,012,815.63	655,245.81	404,337.72	250,908.09	42,608,477.91
99	5/1/15	42,608,477.91	655,245.81	406,696.35	248,549.45	42,201,781.55
100	5/31/15	42,201,781.55	655,245.81	409,068.75	246,177.06	41,792,712.80
101	7/1/15	41,792,712.80	655,245.81	411,454.98	243,790.82	41,381,257.82
102	7/31/15	41,381,257.82	655,245.81	413,855.14	241,390.67	40,967,402.68
103	8/31/15	40,967,402.68	655,245.81	416,269.29	238,976.52	40,551,133.38
104	10/1/15	40,551,133.38	655,245.81	418,697.53	236,548.28	40,132,435.85
105	10/31/15	40,132,435.85	655,245.81	421,139.93	234,105.88	39,711,295.92
106	12/1/15	39,711,295.92	655,245.81	423,596.58	231,649.23	39,287,699.34
107	12/31/15	39,287,699.34	655,245.81	426,067.56	229,178.25	38,861,631.77
108	1/31/16	38,861,631.77	655,245.81	428,552.96	226,692.85	38,433,078.81
109	3/2/16	38,433,078.81	655,245.81	431,052.85	224,192.96	38,002,025.97
110	3/31/16	38,002,025.97	655,245.81	433,567.32	221,678.48	37,568,458.64
111	5/1/16	37,568,458.64	655,245.81	436,096.47	219,149.34	37,132,362.17
112	5/31/16	37,132,362.17	655,245.81	438,640.36	216,605.45	36,693,721.81
113	7/1/16	36,693,721.81	655,245.81	441,199.10	214,046.71	36,252,522.71
114	7/31/16	36,252,522.71	655,245.81	443,772.76	211,473.05	35,808,749.95
115	8/31/16	35,808,749.95	655,245.81	446,361.43	208,884.37	35,362,388.52
116	10/1/16	35,362,388.52	655,245.81	448,965.21	206,280.60	34,913,423.31
117	10/31/16	34,913,423.31	655,245.81	451,584.17	203,661.64	34,461,839.13

No.	Payment Date	Beginning Balance	Payment	Principal	Interest	Ending Balance
118	12/1/16	34,461,839.13	655,245.81	454,218.41	201,027.39	34,007,620.72
119	12/31/16	34,007,620.72	655,245.81	456,868.02	198,377.79	33,550,752.70
120	1/31/17	33,550,752.70	655,245.81	459,533.09	195,712.72	33,091,219.61
121	3/3/17	33,091,219.61	655,245.81	462,213.70	193,032.11	32,629,005.92
122	3/31/17	32,629,005.92	655,245.81	464,909.94	190,335.87	32,164,095.97
123	5/1/17	32,164,095.97	655,245.81	467,621.92	187,623.89	31,696,474.06
124	5/31/17	31,696,474.06	655,245.81	470,349.71	184,896.10	31,226,124.35
125	7/1/17	31,226,124.35	655,245.81	473,093.42	182,152.39	30,753,030.93
126	7/31/17	30,753,030.93	655,245.81	475,853.13	179,392.68	30,277,177.80
127	8/31/17	30,277,177.80	655,245.81	478,628.94	176,616.87	29,798,548.86
128	10/1/17	29,798,548.86	655,245.81	481,420.94	173,824.87	29,317,127.92
129	10/31/17	29,317,127.92	655,245.81	484,229.23	171,016.58	28,832,898.69
130	12/1/17	28,832,898.69	655,245.81	487,053.90	168,191.91	28,345,844.79
131	12/31/17	28,345,844.79	655,245.81	489,895.05	165,350.76	27,855,949.74
132	1/31/18	27,855,949.74	655,245.81	492,752.77	162,493.04	27,363,196.97
133	3/3/18	27,363,196.97	655,245.81	495,627.16	159,618.65	26,867,569.81
134	3/31/18	26,867,569.81	655,245.81	498,518.32	156,727.49	26,369,051.49
135	5/1/18	26,369,051.49	655,245.81	501,426.34	153,819.47	25,867,625.15
136	5/31/18	25,867,625.15	655,245.81	504,351.33	150,894.48	25,363,273.82
137	7/1/18	25,363,273.82	655,245.81	507,293.38	147,952.43	24,855,980.44
138	7/31/18	24,855,980.44	655,245.81	510,252.59	144,993.22	24,345,727.85
139	8/31/18	24,345,727.85	655,245.81	513,229.06	142,016.75	23,832,498.79
140	10/1/18	23,832,498.79	655,245.81	516,222.90	139,022.91	23,316,275.89
141	10/31/18	23,316,275.89	655,245.81	519,234.20	136,011.61	22,797,041.69
142	12/1/18	22,797,041.69	655,245.81	522,263.07	132,982.74	22,274,778.62
143	12/31/18	22,274,778.62	655,245.81	525,309.60	129,936.21	21,749,469.02
144	1/31/19	21,749,469.02	655,245.81	528,373.91	126,871.90	21,221,095.11
145	3/3/19	21,221,095.11	655,245.81	531,456.09	123,789.72	20,689,639.03
146	3/31/19	20,689,639.03	655,245.81	534,556.25	120,689.56	20,155,082.78
147	5/1/19	20,155,082.78	655,245.81	537,674.49	117,571.32	19,617,408.29
148	5/31/19	19,617,408.29	655,245.81	540,810.93	114,434.88	19,076,597.36
149	7/1/19	19,076,597.36	655,245.81	543,965.66	111,280.15	18,532,631.70
150	7/31/19	18,532,631.70	655,245.81	547,138.79	108,107.02	17,985,492.91
151	8/31/19	17,985,492.91	655,245.81	550,330.43	104,915.38	17,435,162.47
152	10/1/19	17,435,162.47	655,245.81	553,540.70	101,705.11	16,881,621.78
153	10/31/19	16,881,621.78	655,245.81	556,769.68	98,476.13	16,324,852.10
154	12/1/19	16,324,852.10	655,245.81	560,017.51	95,228.30	15,764,834.59
155	12/31/19	15,764,834.59	655,245.81	563,284.27	91,961.54	15,201,550.32
156	1/31/20	15,201,550.32	655,245.81	566,570.10	88,675.71	14,634,980.22
157	3/2/20	14,634,980.22	655,245.81	569,875.09	85,370.72	14,065,105.13
158	3/31/20	14,065,105.13	655,245.81	573,199.36	82,046.45	13,491,905.76
159	5/1/20	13,491,905.76	655,245.81	576,543.03	78,702.78	12,915,362.74
160	5/31/20	12,915,362.74	655,245.81	579,906.19	75,339.62	12,335,456.54
161	7/1/20	12,335,456.54	655,245.81	583,288.98	71,956.83	11,752,167.56
162	7/31/20	11,752,167.56	655,245.81	586,691.50	68,554.31	11,165,476.07
163	8/31/20	11,165,476.07	655,245.81	590,113.87	65,131.94	10,575,362.20
164	10/1/20	10,575,362.20	655,245.81	593,556.20	61,689.61	9,981,806.00

<b>No.</b>	<b>Payment Date</b>	<b>Beginning Balance</b>	<b>Payment</b>	<b>Principal</b>	<b>Interest</b>	<b>Ending Balance</b>
165	10/31/20	9,981,806.00	655,245.81	597,018.61	58,227.20	9,384,787.40
166	12/1/20	9,384,787.40	655,245.81	600,501.22	54,744.59	8,784,286.18
167	12/31/20	8,784,286.18	655,245.81	604,004.14	51,241.67	8,180,282.04
168	1/31/21	8,180,282.04	655,245.81	607,527.50	47,718.31	7,572,754.54
169	3/3/21	7,572,754.54	655,245.81	611,071.41	44,174.40	6,961,683.13
170	3/31/21	6,961,683.13	655,245.81	614,635.99	40,609.82	6,347,047.14
171	5/1/21	6,347,047.14	655,245.81	618,221.37	37,024.44	5,728,825.77
172	5/31/21	5,728,825.77	655,245.81	621,827.66	33,418.15	5,106,998.12
173	7/1/21	5,106,998.12	655,245.81	625,454.99	29,790.82	4,481,543.13
174	7/31/21	4,481,543.13	655,245.81	629,103.47	26,142.33	3,852,439.65
175	8/31/21	3,852,439.65	655,245.81	632,773.24	22,472.56	3,219,666.41
176	10/1/21	3,219,666.41	655,245.81	636,464.42	18,781.39	2,583,201.99
177	10/31/21	2,583,201.99	655,245.81	640,177.13	15,068.68	1,943,024.86
178	12/1/21	1,943,024.86	655,245.81	643,911.50	11,334.31	1,299,113.36
179	12/31/21	1,299,113.36	655,245.81	647,667.65	7,578.16	651,445.71
180	1/31/22	651,445.71	655,245.81	651,445.71	3,800.10	0.00

**Appendix C:**  
**Financial Model Details**

**Financial Model Details**

Year:	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	
Period:	0	1	2	3	4	5	6	7	8	9	10	11	12
<b>Capital Outflows</b>													
Down Payment for Financing	\$8,100,000												
Debt Service (\$72,900,000 @ 7% for 15 yrs)		\$7,862,950	\$7,862,950	\$7,862,950	\$7,862,950	\$7,862,950	\$7,862,950	\$7,862,950	\$7,862,950	\$7,862,950	\$7,862,950	\$7,862,950	\$7,862,950
Taxes		\$442,600	\$885,600	\$885,600	\$885,600	\$885,600	\$903,312	\$903,312	\$903,312	\$903,312	\$903,312	\$921,378	\$921,378
<b>Total:</b>	<b>\$8,100,000</b>	<b>\$8,305,750</b>	<b>\$8,748,550</b>	<b>\$8,748,550</b>	<b>\$8,748,550</b>	<b>\$8,748,550</b>	<b>\$8,766,262</b>	<b>\$8,766,262</b>	<b>\$8,766,262</b>	<b>\$8,766,262</b>	<b>\$8,766,262</b>	<b>\$8,784,328</b>	<b>\$8,784,328</b>
<b>Capital Inflows</b>													
Land (In Lieu of Monetary Payment)	\$109,521,686												
<b>Total:</b>	<b>\$109,521,686</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
<b>Net Total:</b>	<b>\$101,421,686</b>	<b>(\$8,305,750)</b>	<b>(\$8,748,550)</b>	<b>(\$8,748,550)</b>	<b>(\$8,748,550)</b>	<b>(\$8,748,550)</b>	<b>(\$8,766,262)</b>	<b>(\$8,766,262)</b>	<b>(\$8,766,262)</b>	<b>(\$8,766,262)</b>	<b>(\$8,766,262)</b>	<b>(\$8,784,328)</b>	<b>(\$8,784,328)</b>

Year:	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
Period:	13	14	15	16	17	18	19	20	21	22	23	24	25
<b>Capital Outflows</b>													
Down Payment for Financing													
Debt Service (\$72,900,000 @ 7% for 15 yrs)	\$7,862,950	\$7,862,950	\$7,862,950	\$7,862,950	\$7,862,950	\$7,862,950	\$7,862,950	\$7,862,950	\$7,862,950	\$7,862,950	\$7,862,950	\$7,862,950	\$7,862,950
Taxes	\$921,378	\$921,378	\$921,378	\$939,806	\$939,806	\$939,806	\$939,806	\$939,806	\$958,602	\$958,602	\$958,602	\$958,602	\$958,602
<b>Total:</b>	<b>\$8,784,328</b>	<b>\$8,784,328</b>	<b>\$8,784,328</b>	<b>\$8,802,756</b>	<b>\$8,802,756</b>	<b>\$8,802,756</b>	<b>\$8,802,756</b>	<b>\$8,802,756</b>	<b>\$958,602</b>	<b>\$958,602</b>	<b>\$958,602</b>	<b>\$958,602</b>	<b>\$958,602</b>
<b>Capital Inflows</b>													
Land (In Lieu of Monetary Payment)													
<b>Total:</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
<b>Net Total:</b>	<b>(\$8,784,328)</b>	<b>(\$8,784,328)</b>	<b>(\$8,784,328)</b>	<b>(\$8,802,756)</b>	<b>(\$8,802,756)</b>	<b>(\$8,802,756)</b>	<b>(\$8,802,756)</b>	<b>(\$8,802,756)</b>	<b>(\$958,602)</b>	<b>(\$958,602)</b>	<b>(\$958,602)</b>	<b>(\$958,602)</b>	<b>(\$958,602)</b>

NPV	0
Input (Hurdle Rate) IRR	6%
ROI	13%
Input Land Value Required	\$109,521,686

A Legislative Hall in the Matanuska-Sustina Borough  
**Financial Model Details**

Year:	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	
Period:	0	1	2	3	4	5	6	7	8	9	10	11	12
<b>Capital Outflows</b>													
Down Payment for Financing	\$8,100,000												
Debt Service (\$72,900,000 @ 7% for 15 yrs)		\$7,862,950	\$7,862,950	\$7,862,950	\$7,862,950	\$7,862,950	\$7,862,950	\$7,862,950	\$7,862,950	\$7,862,950	\$7,862,950	\$7,862,950	\$7,862,950
Taxes		\$442,800	\$885,600	\$885,600	\$885,600	\$885,600	\$903,312	\$903,312	\$903,312	\$903,312	\$903,312	\$921,378	\$921,378
<b>Total:</b>	<b>\$8,100,000</b>	<b>\$8,305,750</b>	<b>\$8,748,550</b>	<b>\$8,748,550</b>	<b>\$8,748,550</b>	<b>\$8,748,550</b>	<b>\$8,766,262</b>	<b>\$8,766,262</b>	<b>\$8,766,262</b>	<b>\$8,766,262</b>	<b>\$8,766,262</b>	<b>\$8,784,328</b>	<b>\$8,784,328</b>
<b>Capital Inflows</b>													
Land (In Lieu of Monetary Payment)	\$94,588,242												
<b>Total:</b>	<b>\$94,588,242</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
<b>Net Total:</b>	<b>\$86,488,242</b>	<b>(\$8,305,750)</b>	<b>(\$8,748,550)</b>	<b>(\$8,748,550)</b>	<b>(\$8,748,550)</b>	<b>(\$8,748,550)</b>	<b>(\$8,766,262)</b>	<b>(\$8,766,262)</b>	<b>(\$8,766,262)</b>	<b>(\$8,766,262)</b>	<b>(\$8,766,262)</b>	<b>(\$8,784,328)</b>	<b>(\$8,784,328)</b>

Year:	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
Period:	13	14	15	16	17	18	19	20	21	22	23	24	25
<b>Capital Outflows</b>													
Down Payment for Financing													
Debt Service (\$72,900,000 @ 7% for 15 yrs)	\$7,862,950	\$7,862,950	\$7,862,950	\$7,862,950	\$7,862,950	\$7,862,950	\$7,862,950	\$7,862,950	\$7,862,950	\$7,862,950	\$7,862,950	\$7,862,950	\$7,862,950
Taxes	\$921,378	\$921,378	\$921,378	\$939,806	\$939,806	\$939,806	\$939,806	\$939,806	\$958,602	\$958,602	\$958,602	\$958,602	\$958,602
<b>Total:</b>	<b>\$8,784,328</b>	<b>\$8,784,328</b>	<b>\$8,784,328</b>	<b>\$8,802,756</b>	<b>\$8,802,756</b>	<b>\$8,802,756</b>	<b>\$8,802,756</b>	<b>\$8,802,756</b>	<b>\$8,802,756</b>	<b>\$958,602</b>	<b>\$958,602</b>	<b>\$958,602</b>	<b>\$958,602</b>
<b>Capital Inflows</b>													
Land (In Lieu of Monetary Payment)													
<b>Total:</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
<b>Net Total:</b>	<b>(\$8,784,328)</b>	<b>(\$8,784,328)</b>	<b>(\$8,784,328)</b>	<b>(\$8,802,756)</b>	<b>(\$8,802,756)</b>	<b>(\$8,802,756)</b>	<b>(\$8,802,756)</b>	<b>(\$8,802,756)</b>	<b>(\$8,802,756)</b>	<b>(\$958,602)</b>	<b>(\$958,602)</b>	<b>(\$958,602)</b>	<b>(\$958,602)</b>

Input	(Murdie Rate) IRR	8%
	ROI:	-3%
Input	Land Value Required:	\$94,588,242

**Financial Model Details**

Year:	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	
Period:	0	1	2	3	4	5	6	7	8	9	10	11	12
<b>Capital Outflows</b>													
Up Front Capital For Financing	\$8,100,000												
Debt Service (\$72,900,000 @ 7% for 15 yrs)	\$7,862,950	\$7,862,950	\$7,862,950	\$7,862,950	\$7,862,950	\$7,862,950	\$7,862,950	\$7,862,950	\$7,862,950	\$7,862,950	\$7,862,950	\$7,862,950	\$7,862,950
Taxes	\$442,800	\$885,600	\$885,600	\$885,600	\$885,600	\$885,600	\$903,312	\$903,312	\$903,312	\$903,312	\$903,312	\$921,378	\$921,378
<b>Total:</b>	<b>\$8,100,000</b>	<b>\$8,305,750</b>	<b>\$8,748,550</b>	<b>\$8,748,550</b>	<b>\$8,748,550</b>	<b>\$8,748,550</b>	<b>\$8,766,262</b>	<b>\$8,766,262</b>	<b>\$8,766,262</b>	<b>\$8,766,262</b>	<b>\$8,766,262</b>	<b>\$8,784,328</b>	<b>\$8,784,328</b>
<b>Capital Inflows</b>													
Land (In Lieu of Monetary Payment)	\$82,862,111												
<b>Total:</b>	<b>\$82,862,111</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
<b>Net Total:</b>	<b>\$74,762,111</b>	<b>(\$8,305,750)</b>	<b>(\$8,748,550)</b>	<b>(\$8,748,550)</b>	<b>(\$8,748,550)</b>	<b>(\$8,748,550)</b>	<b>(\$8,766,262)</b>	<b>(\$8,766,262)</b>	<b>(\$8,766,262)</b>	<b>(\$8,766,262)</b>	<b>(\$8,766,262)</b>	<b>(\$8,784,328)</b>	<b>(\$8,784,328)</b>

Year:	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
Period:	13	14	15	16	17	18	19	20	21	22	23	24	25
<b>Capital Outflows</b>													
Up Front Capital For Financing													
Debt Service (\$72,900,000 @ 7% for 15 yrs)	\$7,862,950	\$7,862,950	\$7,862,950	\$7,862,950	\$7,862,950	\$7,862,950	\$7,862,950	\$7,862,950	\$7,862,950	\$7,862,950	\$7,862,950	\$7,862,950	\$7,862,950
Taxes	\$921,378	\$921,378	\$921,378	\$921,378	\$921,378	\$921,378	\$921,378	\$921,378	\$921,378	\$921,378	\$921,378	\$921,378	\$921,378
<b>Total:</b>	<b>\$8,784,328</b>	<b>\$8,784,328</b>	<b>\$8,784,328</b>	<b>\$8,784,328</b>	<b>\$8,784,328</b>	<b>\$8,784,328</b>	<b>\$8,784,328</b>	<b>\$8,784,328</b>	<b>\$8,784,328</b>	<b>\$8,784,328</b>	<b>\$8,784,328</b>	<b>\$8,784,328</b>	<b>\$8,784,328</b>
<b>Capital Inflows</b>													
Land (In Lieu of Monetary Payment)													
<b>Total:</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
<b>Net Total:</b>	<b>(\$8,784,328)</b>	<b>(\$8,784,328)</b>	<b>(\$8,784,328)</b>	<b>(\$8,784,328)</b>	<b>(\$8,784,328)</b>	<b>(\$8,784,328)</b>	<b>(\$8,784,328)</b>	<b>(\$8,784,328)</b>	<b>(\$8,784,328)</b>	<b>(\$8,784,328)</b>	<b>(\$8,784,328)</b>	<b>(\$8,784,328)</b>	<b>(\$8,784,328)</b>

Input	(Hurdle Rate) IRR:	10%
	ROI:	-15%
Input	Land Value Required:	\$82,862,111

A Legislative Hall in the Metanuska Susitna Borough  
**Financial Model Details**

Year:	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	
Period:	0	1	2	3	4	5	6	7	8	9	10	11	12
<b>Capital Outflows</b>													
Down Payment for Financing	\$8,100,000												
Debt Service (\$72,900,000 @ 7% for 15 yrs)	\$7,862,950	\$7,862,950	\$7,862,950	\$7,862,950	\$7,862,950	\$7,862,950	\$7,862,950	\$7,862,950	\$7,862,950	\$7,862,950	\$7,862,950	\$7,862,950	\$7,862,850
Taxes	\$442,800	\$885,600	\$885,600	\$885,600	\$885,600	\$885,600	\$903,312	\$903,312	\$903,312	\$903,312	\$903,312	\$921,378	\$921,378
<b>Total:</b>	<b>\$8,100,000</b>	<b>\$8,305,780</b>	<b>\$8,748,550</b>	<b>\$8,748,550</b>	<b>\$8,748,550</b>	<b>\$8,748,550</b>	<b>\$8,766,262</b>	<b>\$8,766,262</b>	<b>\$8,766,262</b>	<b>\$8,766,262</b>	<b>\$8,766,262</b>	<b>\$8,784,328</b>	<b>\$8,784,328</b>
<b>Capital Inflows</b>													
Land (In Lieu of Monetary Payment)	\$73,523,120												
<b>Total:</b>	<b>\$73,523,120</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
<b>Net Total:</b>	<b>\$65,423,120</b>	<b>(\$8,305,750)</b>	<b>(\$8,748,550)</b>	<b>(\$8,748,550)</b>	<b>(\$8,748,550)</b>	<b>(\$8,748,550)</b>	<b>(\$8,766,262)</b>	<b>(\$8,766,262)</b>	<b>(\$8,766,262)</b>	<b>(\$8,766,262)</b>	<b>(\$8,766,262)</b>	<b>(\$8,784,328)</b>	<b>(\$8,784,328)</b>

Year:	2018	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
Period:	13	14	15	16	17	18	19	20	21	22	23	24	25
<b>Capital Outflows</b>													
Down Payment for Financing													
Debt Service (\$72,900,000 @ 7% for 11)	\$7,862,950	\$7,862,950	\$7,862,950	\$7,862,950	\$7,862,950	\$7,862,950	\$7,862,950	\$7,862,950	\$7,862,950	\$7,862,950	\$7,862,950	\$7,862,950	\$7,862,950
Taxes	\$921,378	\$921,378	\$921,378	\$939,806	\$939,806	\$939,806	\$939,806	\$939,806	\$939,806	\$958,602	\$958,602	\$958,602	\$958,602
<b>Total:</b>	<b>\$8,784,328</b>	<b>\$8,784,328</b>	<b>\$8,784,328</b>	<b>\$8,802,756</b>	<b>\$8,802,756</b>	<b>\$8,802,756</b>	<b>\$8,802,756</b>	<b>\$8,802,756</b>	<b>\$8,802,756</b>	<b>\$958,602</b>	<b>\$958,602</b>	<b>\$958,602</b>	<b>\$958,602</b>
<b>Capital Inflows</b>													
Land (In Lieu of Monetary Payment)													
<b>Total:</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
<b>Net Total:</b>	<b>(\$8,784,328)</b>	<b>(\$8,784,328)</b>	<b>(\$8,784,328)</b>	<b>(\$8,802,756)</b>	<b>(\$8,802,756)</b>	<b>(\$8,802,756)</b>	<b>(\$8,802,756)</b>	<b>(\$8,802,756)</b>	<b>(\$8,802,756)</b>	<b>(\$958,602)</b>	<b>(\$958,602)</b>	<b>(\$958,602)</b>	<b>(\$958,602)</b>

NPV:	0
Input (Hurdle Rate) IRR:	12%
ROI:	-24%
Input Land Value Required:	\$73,523,120

# **Appendix D: Cost Assumptions**

A Legislative Hall in the Matanuska-Susitna Borough - Feasibility Review

**COST ASSUMPTIONS**

<b>Property</b>	<u>Land (No Cost to Developer)</u> \$1,000,000	<u>Improvement</u> \$81,000,000	<u>Total to be Financed</u> \$81,000,000	<u>Allocation of Value Year 1</u> 0.5			
<b>Financing</b>	<u>% Down</u> 10%	<u>\$ Down</u> \$8,100,000	<u>\$ Financed</u> \$72,900,000	<u>Term (Yrs)</u> 15	<u>Rate</u> 7%	<u>Annual Debt Service</u> \$7,862,950	<u>Start Date</u> 1/31/07
<b>Taxes</b>	<u>Mil' Rate</u> 0.0108	<u>Inflation Adjustment (Every Five Years)</u> 1.02					

**Appendix E:  
Borough Land  
Ownership Map**





**Land Ownership Key**

Source: Matanuska-Susitna Borough

- |                |         |                      |
|----------------|---------|----------------------|
| Mat-Su Borough | Native  | Other                |
| State          | Federal | State/Nauve Selected |

**Potential Sites:**

- Village / Rural Scenario
- Suburban / Commercial Core Scenario (assumed scenario)

**A Legislative Hall in the  
Matanuska-Susitna Borough**  
 Feasibility Review      Livingston Slone, Inc  
 February 3, 2006      IFR & Associates

# Alaska State Legislature

**Session Address:**

Alaska State Capitol  
Juneau, AK 99801  
Phone: (907) 465-2679  
1-800-505-2678  
Fax: (907) 465-4822

**Interim Address:**

600 E. Railroad Avenue  
Wasilla, AK 99654  
Phone: (907) 376-2679  
Fax: (907) 376-4745

Representative.Mark.Neuman@legis.state.ak.us

## *Representative Mark A. Neuman* *District 15*

### MEMORANDUM

TO: Representative Bob Lynn  
FROM: Representative Mark Neuman  
DATE: February 13, 2008  
SUBJECT: Hearing Request for HB 54

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Attached is a committee package for House Bill 54, "An Act relating to Construction of a legislative hall; and repealing provisions relating to relocating the capital, the legislature, or any of the present functions of state government." The package includes the current version of the bill and backup materials.

I would appreciate the scheduling of this legislation before the House Finance Committee. Please feel free to contact me, or my aide Rex Shattuck, with any questions.

Attached you will find a background packet for HB 54.

Thank you for your consideration.

**HB**

**58**

# FISCAL NOTE

**STATE OF ALASKA**  
**2007 LEGISLATIVE SESSION**

Fiscal Note Number: \_\_\_\_\_  
 Bill Version: HB58-DOA-DOP-1-22-07  
 ( ) Publish Date: \_\_\_\_\_

Revision Date/Time (Note if correction): \_\_\_\_\_ Dept. Affected: Administration  
 Title Exec Branch Ethics: Interests & Actions RDU Centralized Administrative Services  
 Component Personnel  
 Sponsor Representative(s) Gara, Gardner, Kawasaki.....  
 Requester House State Affairs Component No. 56

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

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

OPERATING EXPENDITURES	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
Personal Services	0.0	0.0	0.0	0.0	0.0	0.0
Travel	0.0	0.0	0.0	0.0	0.0	0.0
Contractual	0.0	0.0	0.0	0.0	0.0	0.0
Supplies	0.0	0.0	0.0	0.0	0.0	0.0
Equipment	0.0	0.0	0.0	0.0	0.0	0.0
Land & Structures	0.0	0.0	0.0	0.0	0.0	0.0
Grants & Claims	0.0	0.0	0.0	0.0	0.0	0.0
Miscellaneous	0.0	0.0	0.0	0.0	0.0	0.0
<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>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
<b>CHANGE IN REVENUES ( )</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>

**FUND SOURCE** (Thousands of Dollars)

1002 Federal Receipts	0.0	0.0	0.0	0.0	0.0	0.0
1003 GF Match	0.0	0.0	0.0	0.0	0.0	0.0
1004 GF	0.0	0.0	0.0	0.0	0.0	0.0
1005 GF/Program Receipts	0.0	0.0	0.0	0.0	0.0	0.0
1037 GF/Mental Health	0.0	0.0	0.0	0.0	0.0	0.0
Other (Specify Type--Do not abbreviate)	0.0	0.0	0.0	0.0	0.0	0.0
<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 (FY2007) cost: 0.0  
 Mark this box (X) if funding for this bill is included in the Governor's FY 2008 budget proposal.

**POSITIONS**

Full-time						
Part-time						
Temporary						

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

This bill will have no fiscal impact on the Division of Personnel. May require personnel board review.

Prepared by: Dianne Kiesel, Director Phone 465-4429  
 Division Division of Personnel & Labor Relations Date/Time 1/22/07 8:25 AM  
 Approved by: Kevin Brooks, Deputy Commissioner Date 1/31/2007  
 Agency Department of Administration

# ALASKA STATE LEGISLATURE



REPRESENTATIVE LES GARA  
REPRESENTATIVE BERTA GARDNER  
REPRESENTATIVE SCOTT KAWASAKI  
REPRESENTATIVE MIKE DOOGAN  
REPRESENTATIVE MAX GRUENBERG

## Sponsor Statement

### HB 58 – Executive Ethics

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HB 58 is a responsible step towards making the Executive Branch Ethics Act clearer, easier to understand, and easier to follow.

Currently the Ethics Act does not spell out clearly what sorts of financial interests constitute a conflict of interest. The bill sets out a series of bright financial lines for executive branch employees. For example, current law provides no guidance whatsoever as to the size of investment that an executive branch employee may own and still take official state action that affects the investment. HB 58 declares that either \$5000 worth of stock, or one percent of a company's stock, whichever is *less*, means that the executive branch employee must not be involved in state actions that impact that investment. While it seems like common sense to have such a concrete definition, current law does not provide one.

It is important to keep in mind that the key question is whether an executive branch employee owns the financial interest and then performs an official act that affects the financial interest. Either one without the other is not a violation.

The bill also describes with particularity other sorts of forbidden financial interests. An executive branch employee may not own a controlling interest in a business, may not own an equity interest in a business worth more than \$5000, may not be a member of a company's board of directors and may not be an employee of a business.

The bill also expands the definition of "official action" to more clearly capture the day to day duties of our executive branch employees.

The state's ethics laws should be clear to executive branch employees, and to the public those employees serve. Please join me in supporting HB 58.

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## HB 58 – Executive Ethics

### Sectional Analysis

#### Section 1

Line 10 replaces an “or” in the current statute with an “and”. The effect of the change is to add the condition that the action taken or influence exerted by the officer have an insignificant or conjectural effect on the matter.

Line 11 and 12 adds some explanatory words to the current statute to make it clearer.

Page 1, lines 12 – 14, through page 2, lines 1-16 adds a list of business interests that would be forbidden under the executive act ethics code. The construction of the list is such that any single item possessed by an officer of a member of the officer’s immediate family would be sufficient to preclude that officer from taking official action in connection with the interest.

#### Section 2

Lines 18 – 21 expand the definition of official action to include most of the day-to-day activities of executive branch employees.



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**32° obscured**  
 View Weather

Wind:  
 Hi Tide: 04:52am

Web posted January 27, 2005

### Empire editorial: Dump Renkes, ethics code

Far from being the last word on Attorney General Gregg Renkes' ethics and standing as Alaska's top lawyer, Tuesday's release of a report about his actions in a state coal deal is only the start of needed change.

The end must bring both new ethics rules and a new attorney general.

Contracted by Gov. Frank Murkowski to probe Renkes' negotiations on a deal to sell Cook Inlet coal to Taiwan, former U.S. Attorney Robert Bundy found that the attorney general should have requested an ethics determination but otherwise did not break the law. That's because Alaska's law is so vague, not specifying a dollar figure that pushes a public official's investment portfolio into the realm of a conflict. Renkes' \$100,000-plus investment in and close ties to KFx, the Denver company that stood to gain from the coal agreement, apparently doesn't rise to the state's legal definition of a conflict. It should and, once state lawmakers are done, it probably will.

In the meantime, Murkowski is wrong to insist that this, along with his reprimand, closes the matter and that a state personnel board inquiry should end. Where many ethics considerations hinge on an elusive perception of cozy relations, the attorney general's sizable stake in KFx cannot be viewed as anything but a conflict. Bundy finds the conflict insignificant because Renkes' shares represented no more than .02 percent of the company's total. But the issue isn't how Renkes' shares affected the company; it's how they stood to affect him. Bundy's recommendation that the state adopt a \$10,000 investment limit for any government official potentially influencing a company's standing with the state says it all: \$100,000 is a lot of money. That much is apparent to most Alaskans, whose median income in a family of four is some \$30,000 less.

Regardless of where Renkes' investment and active promotion of KFx and the coal deal stood with the law, it is unfathomable that he would not have understood that his involvement could affect him financially. Knowing this, it was reckless to get involved officially in the first place, and it was unpardonable not to at least ask for an official opinion about that involvement. If this behavior brings only a slap on the wrist, Alaskans will be right to doubt the integrity of their government. The governor should demand the attorney general's resignation since Renkes hasn't had the integrity to offer it himself.

Further, it is imperative that this Alaska Legislature remedy the lax ethics code. The state's reliance on and support of natural resource industries and the companies

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Lo Tide: 10:58am  
Hi Tide: 04:59pm  
o Tide: 11:00pm

that fuel them makes it doubly important that the law spell out right and wrong and assure citizens that their officials are acting on Alaskans' behalf, and not for their own bank accounts.


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**CALENDAR** January

S	M	T	W	T	F	S
						1
2	3	4	5	6	7	8
9	10	11	12	13	14	15
16	17	18	19	20	21	22
23	24	25	26	27	28	29
30	31					





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## Opinion

Anchorage Daily News (AK)

February 8, 2005

Author: Staff

Estimated printed pages: 4

## Renkes' right move

## Resignation relieves governor of unreasonable burden

Gregg Renkes did the right thing Saturday by resigning his office as attorney general. Living under an ethical raincloud for his deep involvement in both a state coal deal and a company that would have benefited from it, his credibility and effectiveness had simply washed away. Gov. Frank Murkowski lost a loyal aide and confidant, but he will not have to carry any further the burden of Mr. Renkes' continued tenure in office.

Stability and principled leadership for the Department of Law now become the governor's first priority. This is a time when old-fashioned conservative restraint will serve best. Whoever the governor appoints as attorney general must be respected across the board (in order to dampen undue partisanship), principled beyond reproach (to rehabilitate public confidence in the administration), experienced in Alaska's key policy matters (to maintain momentum on natural gas and other issues) and prudent in his or her personal conduct (to make the attorney general once again a standard-setter in the rule of law).

The next priority must be to clear up the murky waters of Alaska's executive branch **ethics** law. Robert Bundy, the special investigator who found that Mr. Renkes violated the **Ethics Act** but not the Code of **Ethics**, also found too many "close calls" for comfort. The governor has asked Mr. Bundy to develop clear new language to guide public employees. That language should protect the public trust first of all and public officials' financial liberties secondarily.

(In the end, Mr. Bundy's report substantially damaged Mr. Renkes in two unforeseen ways: First, it crafted a too-clever legal analysis to reach the conclusion that \$126,000 in company stock was legally "insignificant" -- a view the average person on the street just wouldn't buy. And second, it revealed that the attorney general deleted thousands of e-mails from his work computer on the very day that damaging news reports first appeared while denying he even knew of the reports -- a story that went beyond all credibility.)

Mr. Renkes was undone by his own conduct and poor judgment. The Alaska attorney general, being in an appointed position beholden to the governor, has always been a hybrid creature: part governor's attorney, part Cabinet officer, part department manager, part policy analyst and adviser, part people's lawyer. Alaska attorneys general succeed when they leave partisan politics to others (even while remaining cognizant of the Capitol's hazardous political currents) and give sound legal advice to both the governor and the people of Alaska. The job requires diligence and sure footing. Ordinarily it goes without saying that the attorney general's personal example and judgment must uphold impeccable standards of trust. With his personal lack of restraint, Mr. Renkes crossed a line that is deliberately very restrictive.

Alaska's attorney general must, in the end, personify the ethic of public service. The position is a privilege, a burden and a duty -- and, for Gov. Murkowski at this moment, an exercise in governing wisely. Finding a new attorney general who radiates public trust and good judgment -- and who can do so without breaking a sweat -- is job one.

**BOTTOM LINE:** Gregg Renkes did the right thing by resigning Saturday; now the focus is on the governor to find

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\*a high-quality replacement.