HOUSE/SENATE FINANCE COMMITTEE MINUTES - 1967-1982 2671

LASTLY, I ASK THAT YOU CONSIDER WHAT MAY BE INDIRECT EFFECTS OF THESE TAX MEASURES ON THE STATE AS A WHOLE. HERE, I SEE ONE OF THE GREATEST PROBLEMS WHICH THE PROPONENTS OF THE BILLS MUST NOT HAVE EVEN CONSIDERED - THAT IS HOW ALASKA TAX POLICY MAY INFLUENCE CONGRESSIONAL ATTITUDES.

THE MOST IMPORTANT ISSUE THAT ALL OF US FACE TODAY IN ALASKA IS THE FINAL DISPOSITION OF THE D(2) LANDS. WE ALL SEEK A WORKABLE BALANCE OF CONSERVATION VS. DEVELOPMENT CLASSIFICATIONS.

NOW TAKE THE AVERAGE NEW YORKER. HE LIVES IN A CITY THAT IS ON THE VERGE OF BANKRUPTCY WITH LITTLE HOPE FOR RELIEF IN THE NEAR TERM - AT LEAST DURING THE PERIOD OF D(2) SOLUTION THAT WILL BE MADE IN CONGRESS HE HEARS THAT ALASKA -FAR, FAR AWAY HAS A TERRIBLE DILEMMA - SHOULD IT PUT 25-50 OR 100 PERCENT OF ITS RESOURCE REVENUES WHICH ARE IN THE FORM OF SURPLUS INTO AN INVESTMENT FUND. HE DOESN'T HAVE TOO MUCH SYMPATHY FOR THAT TYPE OF PROBLEM.

MOREOVER, ALASKA "SALTS" AWAY ITS REVENUES FROM RESOURCES AND LOOKS TO HIGHER TAXES TO FUND THE COST OF GOVERNMENT. AND WHO WILL ULTIMATELY PAY THE COST OF THE HIGHER TAXES?

THE CONSUMER - INCLUDING THE AVERAGE NEW YORKER.

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CORRECTION

THIS DOCUMENT
HAS BEEN REPHOTOGRAPHED
TO ASSURE LEGIBILITY

ADDRESS TO JOINT SENATE - HOUSE RESOURCE COMMITTEES

ON THE

PROPOSED AMENDMENTS TO OIL AND GAS TAXATION

March 24, 1977

MADAM CHAIRMAN, MEMBERS OF THE COMMITTEES - MY NAME IS OLIVER LEAVITT. I AM SPEAKING TODAY AS A MEMBER OF THE EXECUTIVE COMMITTEE AND TREASURER OF THE ARCTIC SLOPE REGIONAL CORPORATION.

FIRST MAY I SAY THAT THE ARCTIC SLOPE REGIONAL CORPORATION APPRECIATES AND WELCOMES THE OPPORTUNITY TO BE HEARD ON THE NEW OIL AND GAS TAX PROPOSALS INASMUCH AS WE ARE A PROFIT ORIENTED, FREE ENTERPRISE ALASKAN CORPORATION AND BELIEVE THAT THE TAX PROPOSALS WOULD, IF ENACTED, CREATE A DEVASTATING FINANCIAL DILEMMA FOR MY CORPORATION AND EVERY OTHER NATIVE REGIONAL CORPORATION - NOT ONLY INITIALLY BUT FOR THE GENERATIONS THAT STAND TO FOLLOW AND SUCCEED TO THE RESULTS OF OUR COLLECTIVE ACHIEVEMENTS -OR FAILURES.

AS I'M SURE YOU KNOW, WE DO NOT ENJOY ANY REVENUES FROM PRODUCTION OF OIL AND GAS ON NATIVE OWNED OR SELECTED LANDS AT THE PRESENT TIME. HOWEVER WE ARE MOST OPTIMISTIC THAT WITHIN THE NEXT 5-10 YEARS OUR STOCKHOLDERS AS WELL AS ALL RESIDENTS OF ALASKA AND CITIZENS OF THIS COUNTRY WILL BE THE BENEFICIARIES OF NEW ENERGY SOURCES FOUND ON OUR LANDS.

PREDICATED ON POTENTIAL FUTURE REVENUES WE LONG AGO ENTERED INTO THE BUSINESS WORLD IN A VARIETY OF VENTURES, SOME RELATED TO PETROLEUM EXPLORATION AND DEVELOPMENT - SOME UNRELATED. THE FINANCIAL OBLIGATIONS WE INCURRED TO UNDERWRITE THESE VENTURES AND INVESTMENTS ARE SUPPORTED BY OUR CURRENT CASH FLOW IN THE NEAR TERM, BUT ARE ULTIMATELY TIED TO REALIZATION OF OUR CALCULATED PROJECTIONS OF FUTURE INCOME FROM OIL AND GAS.

WHILE WE WILL EVENTUALLY DERIVE INCOME FROM BASIC ROYALTIES WHEN WE DISCOVER COMMERCIALLY PRODUCTIVE RESERVES ON OUR LANDS, WE LOOK TO ADDITIONAL AND POSSIBLY EVEN MORE SUBSTANTIAL REVENUES FLOWING FROM A NET PROFITS INTEREST THAT WE HAVE IN ANY PRODUCTION.

NET PROFITS ARE SIMPLY THE EXCESS OF INCOME OVER EXPENSES. IN CALCULATING NET PROFITS, TAXES ARE AN EXPENSE ITEM. THE HIGHER THE TAXES, THE LOWER THE NET PROFITS. KEEP IN MIND THAT UNDER THE 30-70 SHARING PROVISIONS OF THE CLAIMS SETTLEMENT ACT, ANY RESULTING REDUCTION IN NET PROFITS FROM PRODUCTION ON OUR LANDS ADVERSELY AFFECTS NOT ONLY ARCTIC SLOPE REGIONAL CORPORATION, BUT ELEVEN OTHER REGIONAL CORPORATIONS AS WELL. FURTHER, THERE ARE SOME 200 VILLAGE CORPORATIONS WHOSE COFFERS WOULD BE DIMINISHED AND WHOSE POTENTIAL FOR VIABLE INDEPENDENCE AND SURVIVAL WOULD BE HAMPERED TO AN UNKNOWN BUT VERY POSSIBLY FATAL EXTENT.

WE TESTIFIED LAST YEAR ON THE THEN PROPOSED NEW TAXES THAT WE DID NOT EXPECT NOR WISH TO BE TREATED ANY DIFFERENTLY FROM ANY OTHER PRIVATE CORPORATION. AS AN ALASKAN CORPORATION WE ARE PREPARED TO SHOULDER OUR SHARE OF THE TAXES <u>NEEDED</u> TO RUN THE STATE GOVERNMENT AND PROVIDE THE NECESSARY SERVICES FOR ITS PEOPLE.

I EMPHASIZE THE WORD <u>NEED</u> BECAUSE I THINK THAT IT IS WHAT THIS ENTIRE DEBATE OVER INCREASED TAXES WILL BOIL DOWN TO.

WE ARE CERTAINLY NO DIFFERENT THAN ANYONE ELSE YOU HAVE HEARD FROM AND WILL HEAR FROM IN THE FUTURE - OTHER THAN PUBLIC EMPLOYEES AND THEIR AGENTS - IN THAT WE CANNOT COMPREHEND OR FIND JUSTIFICATION IN TAXING NOT ON THE BASIS OF NEED BUT ONLY TO INCREASE REVENUES TO THE TREASURY OF THE STATE. FURTHER, I RESPECTFULLY SUBMIT THAT YOUR POSITION IS AT BEST TENUOUS, AND YOUR PURPORTED JUSTIFICATION FOR THE PROPOSED ENACTMENT IS SIMPLY NOT PURSUASIVE.

THE DEPARTMENT OF REVENUE'S OWN PROJECTIONS WHICH YOU RECEIVED IN JANUARY INDICATE A SURPLUS OF 8.7 BILLION DOLLARS IN THE GENERAL AND PERMANENT FUND BY 1985. THAT PROJECTION IS BASED ON EXISTING TAX LAW AND PROJECTED ROYALTIES AND ASSUMES NO NEW DISCOVERIES IN THE NEXT 8 YEARS. IF THE PROPOSED TAX PACKAGE - EITHER THE LEGISLATURE'S OR THE ADMINISTRATION'S VERSION - WERE ENACTED, THE 8.7 BILLION WOULD OBVIOUSLY SWELL TO A STAGGERING AMOUNT. LADIES AND GENTLEMEN, I ASK YOU, WHAT IN THE WORLD ARE WE DOING?

ANOTHER IMPORTANT FACTOR THAT SHOULD BE ADDRESSED IS THE INCONSISTENT POSITION OF THE STATE AS IT SIDES WITH THE OIL INDUSTRY ON ONE HAND TO ENCOURAGE THE FEA TO EXEMPT NORTH SLOPE PRODUCTION FROM CRUDE PRICE CONTROLS OR AT LEAST NOT TO IMPOSE PRICING OR ENTITLEMENTS PENALTIES ON NORTH SLOPE PRODUCTION.

IT IS A VALID ARGUMENT THAT POLICIES WHICH RESTRICT THE PRICE OF CRUDE OIL PRODUCED FROM FRONTIER AREAS, SUCH AS THE NORTH SLOPE, BELOW ACTUAL MARKET VALUE WILL LIMIT DEVELOPMENT AND NOT SERVE THE NATIONAL INTEREST.

IN OTHER WORDS ON ONE HAND THE STATE PLEADS WITH THE FEDERAL GOVERNMENT NOT TO SET PRICE CONTROLS ON NORTH SLOPE PRODUCTION AS TO MAKE IT UNECONOMICAL TO PRODUCE AND ON THE OTHER HAND ADVOCATES A COMPLETE CHANGE IN THE TAXATION POLICY OF THE STATE WITH RESPECT TO PRODUCERS WHICH IN SOME INSTANCE AMOUNTS TO A SEVERAL HUNDRED PERCENT INCREASE OVER EXISTING LEVELS OF TAXATION. IT IS DIFFICULT TO UNDERSTAND THIS CONTRADICTORY APPROACH. BOTH RESTRICTIVE FEDERALLY REGULATED PRICE CONTROLS AND UNREASONABLY HIGH TAXES ON PRODUCTION DIRECTLY AFFECT THE PRODUCTION ECONOMICS. WHY DON'T WE OBTAIN A LITTLE PRODUCTION HISTORY BEFORE WE TAKE A DIRECTION THAT WE KNOW WILL TEND TO LESSEN THE ATTRACTIVENESS TO EXPLORE AND DEVELOP NEW OIL AND GAS RESERVES?

TODAY I DO NOT INTEND TO SPECIFICALLY ADDRESS WHAT I CONSIDER TO BE THE BAD POINTS OF EACH OF THE SEVERAL CONTEMPLATED TAXATION BILLS. IN THE FUTURE IF YOU SO DESIRE WE WILL BREAK OUT STATISTICALLY AND IN PRECISE DOLLAR AMOUNTS - AS WE DID IN LAST YEAR'S TAX SCENARIO - HOW THE PROPOSALS AFFECT OUR FUTURE ECONOMIC VIABILITY. RATHER, I WOULD LIKE TO STRESS THAT THE PROPOSALS CONSTITUTE <u>MAJOR REVISIONS IN TAXATION THEORY</u> AS WELL AS A MEANS OF CALCULATING TAXES DUE.

THE TREATMENT OF SOME OF THE TAXES AS SET FORTH IN THE RECENT "STUDY" PUBLISHED BY THE DEPARTMENT OF REVENUE CAUTIONS THAT THERE MAY BE CONSTITUTIONAL PROBLEMS IN CERTAIN AREAS. I BELIEVE THAT THE LEGISLATURE SHOULD CAREFULLY WEIGH ALL THE POTENTIAL LEGAL PROBLEMS ASSOCIATED WITH THE SUBJECT PROPOSALS AND CERTAINLY NOT CREATE ANOTHER MONSTER AS OCCURRED IN 1973 WHEN A SPECIAL SESSION WAS CALLED TO UNDO WHAT THAT LEGISLATURE HAD DONE DURING THE REGULAR SESSION - ACTIONS THAT PROMPTED IMMEDIATE LITIGATION ON CONSTITUTIONAL GROUNDS.

LASTLY, I ASK THAT YOU CONSIDER WHAT MAY BE INDIRECT EFFECTS OF THESE TAX MEASURES ON THE STATE AS A WHOLE. HERE, I SEE ONE OF THE GREATEST PROBLEMS WHICH THE PROPONENTS OF THE BILLS MUST NOT HAVE EVEN CONSIDERED - THAT IS HOW ALASKA TAX POLICY MAY INFLUENCE CONGRESSIONAL ATTITUDES.

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IN SUMMARY, I URGE YOU TO GO SLOW ON THESE TAX PROPOSALS UNTIL YOU FIND OUT ALL THE RAMIFICATIONS OF RAISING TAXES UNDER THE SCHEMES PROPOSED. ALSO, ATTEMPT TO JUSTIFY THE NEED FOR THESE ADDITIONAL REVENUES.

WHEN WE ELECTED YOU, OUR REPRESENTATIVES, WE CERTAINLY NEVER BELIEVED THAT YOUR DIRECTION WAS TO COME TO JUNEAU AND HARPOON YOUR CONSTITUENTS. I, FOR ONE, HAVE EVERY CONFIDENCE THAT YOU WILL NOT, AND THAT IN THE FINAL ANALYSIS COMMON SENSE, GOOD JUDGEMENT AND FAIR PLAY WILL PREVAIL.

I WANT TO LEAVE YOU WITH ONE FINAL THOUGHT. LIKE YOU, I AM VERY PROUD OF MY ALASKAN HERITAGE AND I AM VERY GLAD TO CALL ALASKA MY HOME. HOWEVER WE ARE COMING OF AGE AND BECOMING A SIGNIFICANT VOICE TO BE RECKONED WITH IN THIS VAST "GLOBAL VILLAGE" WE SHARE WITH THE REST OF THE COUNTRY AND THE REST OF THE WORLD. IF WE ARE TO SURVIVE AND PROSPER, WE MUST CONDUCT OURSELVES IN A FORTHRIGHT BUSINESSLIKE MANNER, AND EXPECT TO BE JUDGED AND DEALT WITH ACCORDINGLY.

MANY YEARS AGO, A FAMOUS MAN STATED THAT "TAXATION WITHOUT REPRESENTATIO IS TYRANNY." NOT TOO LONG AGO I UNDERSTAND THAT A TAXPAYER IN ONE OF THE "LOWER 48" STATES HAD REASON TO SAY "TAXATION WITH REPRESENTATION AIN'T SO HOT EITHER."

I HOPE WE NEVER PERMIT OUR GREAT STATE TO BE THE FOCAL POINT OF SIMILAR RIDICULE.

STATEMENT TO JOINT SENATE - HOUSE RESOURCE COMMITTEES

ON THE

PROPOSED AMENDMENTS TO OIL AND GAS TAXATION

March 24, 1977

MADAM CHAIRMAN, MEMBERS OF THE COMMITTEE, MY NAME IS LAWRENCE DINNEEN, I AM THE EXECUTIVE VICE PRESIDENT OF THE ARCTIC SLOPE REGIONAL CORPORATION. I AM SPEAKING TODAY IN THAT CAPACITY.

THE ARCTIC SLOPE REGIONAL CORPORATION HAS CONSISTENTLY OPPOSED MAJOR TAX REVISIONS IN THE STATE OIL AND GAS TAX STRUCTURE. WE WOULD LIKE TO TAKE THIS OPPORTUNITY TO EXPLAIN OUR RATIONALE AS WELL AS LEARN AND ATTEMPT TO COMPREHEND THE MOTIVATION OF OUR STATE, BOTH THE LEGISLATIVE AND EXECUTIVE BRANCHES, TO PURSUE SUCH GREAT INCREASES.

ARCTIC SLOPE REGIONAL CORPORATION IS ONE OF THE TWELVE REGIONAL CORPORATIONS IN THE STATE OF ALASKA. IT IS NOW FIVE YEARS OLD, AND ALONG WITH THE OTHERS HAS DONE AMAZINGLY WELL CONSIDERING ALL THE HURDLES THAT IT HAS ENCOUNTERED, AND THE AMOUNT OF KNOWLEDGE THAT HAD TO BE INGESTED AND DIGESTED.

WE, ALONG WITH OUR SISTER REGIONAL CORPORATIONS, ARE BUSINESS FOR PROFIT CORPORATIONS, THE SAME AS ANY OTHER BUSINESS CORPORATIONS IN THE STATE OF ALASKA. THERE ARE ALSO 200 VILLAGE CORPORATIONS, ALSO LANDOWNERS, OR TO BE LAND OWNERS, MOST OF WHICH ARE PROFIT CORPORATIONS. THIS IS AN AMAZING INFUSION OF PRIVATE LAND OWNERSHIP, EVOLVING BUSINESS AND CORPORATE MANAGEMENT, AND

POTENTIAL FOR HUMAN AND ECONOMIC DEVELOPMENT IN THE STATE OF ALASKA.

WE KNOW THE INTERNAL PROBLEMS OF THE DEVELOPMENT OF A CORPORATION AND THE ORIENTATION AND TRAINING AND THE DIGESTION OF A SOCIOLOGICAL REVOLUTION THAT IS INDEED OCCURRING THROUGH-OUT NATIVE ALASKA. WE KNOW OF THE MISUNDERSTANDING AND CRITIQUE OF THE EFFORTS OF THESE NEW CORPORATE LEADERS BY THOSE WHO WATCH FROM THE SIDELINES ON BALANCE, I MIGHT SAY THAT THE POSITIVE ASPECTS FAR OUTWEIGH WHATEVER WEAKNESSES OR FAILURES MAY HAVE OCCURRED. THE SUCCESS OF THE START UP IS AMAZING. HOWEVER -THE EXTERNAL FORCES OVER WHICH WE HAVE LESSER CONTROL OR IMPACT CONCERN US

THE MAJOR ONE IS THE BUSINESS CLIMATE OF THE STATE OF ALASKA

WE THE NATIVE CORPORATIONS MUST COLLECTIVELY FACE THE RESPONSIBILITY OF OWNERSHIP OF 40,000,000 ACRES. I CANNOT SPEAK FOR THE REST OF THE CORPORATIONS, SO LET ME ADDRESS WHAT ARCTIC SLOPE REGIONAL CORPORATION IS TRYING TO DO FOR OUR BENEFIT AND HOPEFULLY FOR THE STATE OF ALASKA.

ARCTIC SLOPE REGIONAL CORPORATION HAS 3.4 MILLION ACRES OF THAT LAND AND WITH GOOD LUCK AND HARD WORK WILL GAIN THE REST OF THE 5 MILLION ACRES WITHIN TWO YEARS. LAND CONVEYANCES TO OTHER CORPORATIONS ONLY AMOUNT TO 400,000 ACRES AT THIS POINT IN TIME. CONSEQUENTLY, THERE IS MUCH TO BE DONE ON AN OVERALL BASIS.

ARCTIC SLOPE REGIONAL CORPORATION HAS HAD TO BORROW AND SPEND 3 MILLION DOLLARS (PLUS) TO ADDRESS THE AMAZING HURDLES THAT EXIST IN OUR COMPLEX WORLD TO SIMPLY GAIN THE LAND THAT CONGRESS STATED "THE GOVERNMENT WAS TO IMMEDIATELY CONVEY."

IT TOOK QUITE A STROKE OF BUSINESS TO GAIN THE GEOLOGICAL AND GEOPHYSICAL INFORMATION NECESSARY TO MAKE INTELLIGENT SELECTION OF LANDS. TO DO THAT WE NEEDED TO STUDY 13,000,000 ACRES. WE CAUSED THAT TO HAPPEN AND IN JUST A LITTLE OVER TWO YEARS, TO THE INITIATED THAT WAS TO BE AN IMPOSSIBLE TASK.

WE HAVE CAUSED THAT EFFORT TO HAPPEN, AND HAVE MADE OUR LAND SELECTIONS - AND WE ARE VERY HOPEFUL.

OUR RATIONALE HAS BEEN TO DEVELOP OUR CORPORATE STRUCTURE, DEVELOP SUBSIDIARY CORPORATIONS THAT COULD GIVE EMPLOYMENT OPPORTUNITIES AND PROVIDE BUSINESS MANAGEMENT OPPORTUNITIES, AND TO MAKE INTELLIGENT CHOICES CONCERNING OUR LAND, AND THEN TO GAIN OUR LAND.

LADIES AND GENTLEMEN OF THE RESOURCES COMMITTEE, THE RESOURCE POTENTIAL OF THE LANDS OF WHICH I SPEAK, EXCEPT FOR THOSE OF SUBSISTANCE NATURE IS; HYDRO CARBONS - I.E. OIL, GAS, AND COAL

THE ECONOMIC POTENTIAL CANNOT BE REALIZED UNTIL THAT OIL, GAS AND/OR COAL ARE FOUND, THEIR VALUE DETERMINED AND WAYS FOUND TO REACH MARKET.

THE STATE OF ALASKA HAS, SINCE THE DISCOVERY OF PRUDHOE BAY, ZEROED IN ON THE OIL AND GAS INDUSTRY AND WHAT IT HAS FOUND AT PRUDHOE BAY AS IF IT WERE THE ONE AND ONLY SOURCE OF INCOME FOR THIS STATE FROM HERE ON OUT. THIS EXTRAORDINARY UPWARD ADJUSTMENT OF TAXES AND TAX STRUCTURE EACH LEGISLATIVE SESSION AFFECTS OUR OPPORTUNITY TO DEVELOP OTHER OPPORTUNITIES.

THE ROYALTY AND TAX THAT YOU PRESENTLY EXTRACT OR WILL EXTRACT WITH THE STATUTES ON THE BOOKS ALREADY ARE THE HIGHEST IN THE NATION.

THE NEW TAXES THAT YOU ARE CONSIDERING NOT ONLY TEND TO DICTATE HOW OIL AND GAS IS TO BE PRODUCED AND DELIVERED, BUT CONTEMPLATE AN AMAZING FURTHER INCREASE IN TAX.

SOME OF THE ATTITUDE EXPRESSED IN THE HALLS OF LEGISLATURE SAY "THAT IS OKAY, THEY CAN AFFORD IT" - " THEY CAN'T LEAVE BECAUSE WE HAVE THE RESOURCE."

TO ANSWER THAT SIMPLY - WHY IS THE UNITED STATES IMPORTING 50% OF ITS HYDROCARBONS?

LADIES AND GENTLEMEN

THE POTENTIAL OF THE STATE OF ALASKA IS NOT TOTALLY AT PRUDHOE BAY -AND I RESPECTFULLY REQUEST THAT WE QUIT ADDRESSING OUR TAXING EFFORTS AND OUR POLICY AS IF IT WERE.

YOU ARE DETERING, DISTRACTING AND HURTING THE EFFORTS OF MANY OF YOUR CITIZENS - CORPORATE CITIZENS BY-DOING THAT.

WE CANNOT BE SUCCESSFUL IN THE EFFORT TO DEVELOP 3 TO 5 MILLION ACRES OF HYDRO CARBON POTENTIAL WITH A BUSINESS AND TAX CLIMATE THAT DETERS RATHER THAN ATTRACTS THE NECESSARY CAPITAL FOR SUCH DEVELOPMENT; AND A TAX STRUCTURE THAT NOT ONLY EXTRACTS A HIGHER RETURN THAN ELSEWHERE IN OUR COUNTRY BUT ONE THAT TENDS TO DICTATE THE POLICY OF EXTRACTION, PRODUCTION AND DELIVERY.

WE DO NOT BELIEVE THAT THERE IS A VIABLE SUBSTITUTE FOR THE EFFORT OF THE VERY INDUSTRY THAT IS NECESSARY FOR US TO HARVEST AND DELIVER OUR RESOURCE -

SUCH POLICY ALSO DETRACTS, INHIBITS OR CERTAINLY DOES NOT AID AND ABET THE DEVELOPMENT OF TRANSPORTATION MODES THAT WOULD ALLOW THAT RESOURCE TO GET TO MARKET

WE HAVE APPEARED AT EACH LEGISLATIVE SESSION PRIOR TO AND SINCE THE PASSAGE OF THE LAND CLAIMS SETTLEMENT ACT -

BUT I MUST CONFESS THAT WE HAVE NOT BEEN INVITED TO TESTIFY OR ADDRESS ANY MAJOR POSITIVE EFFORT TO AID OR HELP TO NURTURE THE GROWTH OF PROBABLY THE GREATEST LATENT POTENTIAL THIS STATE HAS IN A PEOPLE, A JOB RESOURCE AND - YES - A LONG TERM TAX BENEFIT - I.E. THE PEOPLE AND LANDS DIRECTLY AFFECTED BY THE ALASKA NATIVE CLAIMS SETTLEMENT ACT

ON THE OTHER HAND WE HAVE FOUND IT NECESSARY TO ATTEMPT TO DISSUADE YOU FROM MAJOR TAX PLANS THAT HIT THE HEART OF THREE MAJOR DEVELOPMENT POTENTIALS OF ALL REGIONAL CORPORATIONS -

1) OIL AND GAS
2) MINING
3) TIMBER

AND THE MAJOR LAND MANAGEMENT SCHEMES THAT WOULD GOVERN US PRIOR TO OUR OBTAINING THE LANDS OR OUR REAL KNOWLEDGE OF THEM -

WE ARE YOUNG, VIABLE, DEVELOPING BUSINESS CORPORATIONS - WHETHER WE SUCCEED OR FAIL WILL DEPEND IN GREAT PART ON THE BUSINESS CLIMATE OF OUR STATE -

CONSEQUENTLY, WE ASK THAT YOU DEFER CONSIDERATION OF ANY MAJOR TAX SCHEMES OR MODIFICATIONS AT PRESENT AND INSTEAD

DIRECT THE DEPARTMENTS OF GOVERNMENT OF THIS GREAT STATE TO -

1) DETERMINE WHY THE INTERNAL REVENUE SERVICE ATTITUDE TOWARD REGIONAL AND VILLAGE CORPORATIONS (AND THE STATE'S INADVERTENT AGREEMENT WITH THE IRS) HAS THE POTENTIAL TO BRANKRUPT ALMOST EVERY REGIONAL CORPORATION

2) HOW THE ATTITUDE OF CERTAIN POWERFUL CONGRESSIONAL COMMITTEES AND DEPARTMENTS OF THE FEDERAL GOVERNMENT (AND ON UNKNOWN POSITION OF THE STATE) WOULD BLOCK THE FLEXIBILITY AND POTENTIAL TRANSPORTATION OF THE MAJOR RESOURCES OF THIS STATE, ESPECIALLY THOSE FROM THE BUSH

3) HOW THE LACK OF A POSITIVE ATTITUDE TOWARDS THE DEVELOPMENT OF RESOURCES AND JOBS DETERS THE DEVELOPMENT OF JOBS IN BOTH RURAL AND URBAN ALASKA (14% UNEMPLOYMENT CAN'T BE SOLVED BY A PERMANENT FUND)

4) AND DISCOVER, WITH US, THE AMAZING DEVELOPMENT OF PEOPLE AND POTENTIAL THAT EXISTS IN THT REGIONAL AND VILLAGE CORPORATIONS.

5) AND HELP US FIND THE WAY, WITHIN THE MANY DEPARTMENTS OF STATE GOVERNMENT, (ALL WE REALLY HEAR ABOUT IS REVENUE) THAT CAN AID THE REALIZATION OF OUR POTENTIAL

YOU, IN TURN, WILL BE AMAZED

AT THE TREASURE HOUSE OF PEOPLE AND RESOURCES

THAT HAVE EVOLVED SO RAPIDLY - YOU COULDN'T POSSIBLY HAVE KEPT TRACK -

FRANKLY, WE NEED YOUR HELP IN BOTH GENERAL AND VERY SPECIFIC WAYS

AND WE WILL NOT DO NEARLY AS WELL WITHOUT IT.

THE LORD BE WITH YOU -

Tape #1
Beg. #000
End #768

RECORDER LOG

1/26/77

GENERAL SUBJECT: Joint Meeting - House/Senate Finance Committees on Revenue Sources

PRESENT: All members of House Finance Committee were present. Members of Senate Finance Committee present were: Sen. Hohman, Sen. Sackett, Sen. Meland, Sen. Butrovich and Sen. Croft.

OTHERS PRESENT: Sen. Ferguson, Rep. Cotten, Commissioner Sterling Gallagher, Department of Revenue; Kent Dawson, Office of the Governor; Jim Edenso, Dep. Comm. of Treasury; John Messenger, Dep. Comm. for Taxation; Shirley Wolfe, Research Supervisor, Dept. of Revenue; Vince Wright, Chief of Research, Dept. of Revenue; Paul Dodson, Information Officer, Dept. of Revenue; Milt Barker, Fiscal Analyst, Legis. Finance; Alison Farnan, Fiscal Analyst, Legis. Finance.

Log #

000 Chairman Cowper opened meeting - 1:35 p.m.. Purpose of meeting. Introduced Commissioner Gallagher.

004 Sen. Ferguson Question: re substantial difference between last year's projected figures and actual figures.

007 Comm. Gallagher answered. Pipeline revenues brought in unexpected $80 million. Further explained.

014 Sen. Ferguson Question: exact figure of difference?

Comm. Gallagher answered - $90 million. $60-70 million due to property tax change; $30 million, mostly coming out of payroll.

018 Comm. Gallagher explained purpose of presentation and introduced his staff members present. Explanation of change Dept. has tried to make.

031 Presentation: Vince Wright, Chief of Research, Department of Revenue

Chart 1: "Individual Income Taxes"
Projections - Fiscal year '77 and '78 - $191 million to be taken in
Fiscal year '78 - $93 million
Reason for drop - (1) Ending of Alyeska Project; project employed 36% of payroll for 1976.
(2) Employment during project vs. projected employment for 1978= 1st qtr. '76 - 195,000; 1st qtr. '78 projected - 176,000.
Other factors - changed withholding system from quarterly to monthly; fiscal year was 14 mos., now 12 mos.

Cont. -

Vince Wright - Chart 2 - "Corporate Income Tax"
Projections - upswing from '77 - '78
Reasons - assuming Alyeska Project will be completed in July '77. State will be taking in corporate income taxes from the "Big 4" on the North Slope. Actual time of collection can be estimated to Aug. 1 Would place some receipts in the Fiscal Year '79 around $18 - 19 million.

062 Vince Wright - Chart 3 - "Business License Tax - Fiscal Year '77 - '78

064 Chairman Cowper question: What point do you call taxes revenue? When they are collected through the withholding system, or when the return is filed?

Comm. Gallagher answered: Upon receipt of funds.

068 Rep. Gruening question: Do you count the use revenue collected in totality?

Comm. Gallagher answered: Yes, it is shown as an expenditure.

071 Vince Wright - Chart 4 & 5 - "Oil & Gas Production" "Taxes and Mineral Royalties"
Projections - Increase in '77-'78 based on assumption that State will receive world-wide prices for the oil. Comments on prices on market.

Questions by Reps. Haugen, Cowper & Gruening re costs and income of shipping via proposed routes.

Comm. Gallagher answered.

Rep. Gruening inquired re status of amount paid to Alaska Native Lands Claims Settlement Act fund.

101 Comm. Gallagher answered. - expenditure. Explanation.

103 Questions and answers re revenue status of tariffs for oil shipped to Japan.

115 Sen. Ferguson question: re actual figure of difference between last year's projection and what actually took place.

119 Comm. Gallagher answered: Approx. $100 million.

Questions and answers cont. - Sen. Ferguson & Comm. Gallagher.

Cont. -

129 Rep. Rhode question re projection figures for '77-'78.

132 Remarks by Sen. Sackett and Comm. Gallagher re concern on part of Senate Finance Committee'over discrepancies in projections and actual figures last year and Committee's intent to check out Department of Revenue's methods of estimating for projections. Comm. Gallagher expressed cooperation.

156 Vince Wright - Chart 5 - "Mineral Royalties". Explanation.

Vince Wright - Chart 6 - "Oil and Gas Products Taxes.

168 Vince Wright - Chart 7 - "Commercial Fish Taxes". Explanation.

173 Vince Wright - Chart 8 - "Fuel Taxes". Explanation.

176 Vince Wright - Chart 9 - "Alcoholic Beverage Tax". Explanation.

Vince Wright - Chart 10 - "Gish & Game Licenses". Explanation.

184 Questions by Rep. Cowper to Comm. Gallagher re special funds monies and general funds monies.

188 Rep. Meekins suggested that the Depart. of Revenue supply the Finance Committees with list of assumptions in the projections and those subject to change.

192 Comm. Gallagher replied that the new computer program will make available such reports.

197 Comm. Gallagher asked John Messenger to explain the federal code changes.

201 Question by Rep. Cowper: Is the Governor going to submit changes to code to the Dept. or does the Dept. intend to allow the Legislature to do that?

Comm. Gallagher answered: The legislature.

207 Presentation by John Messenger [See attachment - letter from Comm. Gallagher dated 1-26-77.] re federal code changes.

Sen. Croft requested copy of letter to be sent to him.

253 Presentation by Jim Edenso re Permanent Fund

Chart: Effect on Revenues and 50% Contribution Fund [Refer Dept. of Rev. Presentation, black cover, Senate Finance Committee files.] Sec. I

Cont.-

261 Explanation of chart and questions by Representatives Meekins, Gruening, Cowper and Senator Ferguson. Comm. Gallagher answered.

320 Questions and answers re entry of credits received on taxation. Sen. Sackett and Comm. Gallagher.

Questions by Rep. Swanson and Sen. Kerttula re same.

348 Questions by Rep. Gruening re inclusion of 2% NLCSA fund in projection. Comm. Gallagher answered.

362 Questions and answers re effect on local tax burden in Alaska. Comm. Gallagher answered.

371 Questions and answers re oil companies' tax burden and individual's tax burden. Rep. Meekins. Comm. Gallagher answered.

440 Question and answer re reliability of the Department of Revenue's figures. Sen. Sackett and Comm. Gallagher.

451 Questions and answers re 50% figure for permanent fund. Sen. Ferguson and Comm. Gallagher.

468 Question and answer re above. Sen. Croft and Comm. Gallagher.

472 Question and answer re above. Rep. Swanson and Comm. Gallagher.

504 Questions and answers re permanent fund effect on investment earnings. Sen. Butrovich, Reps. Freeman and Meekins. Answered by Comm. Gallagher and Mr. Edenso.

557 Question by Rep. Gruening re surplus of funds in permanent fund at end of fiscal year. Comm. Gallagher answered that it would automatically go back to the general fund.

564 Chairman Cowper declared a 10-minute recess at approximately 3:15 p.m.

Chairman Cowper reopened the meeting at 3:25 p.m. He pointed out an error which had been brought to his attention by Comm. Gallagher during the recess re inclusion of the permanent fund in the Chart just previously discussed.

Cont.-

572 Continuation of presentation by Jim Edenso.

Chart: "Revenues".
Explanation. (1) Nonpetroleum related (2) Petroleum related (3) Petroleum royalties related

597 Comm. Gallagher further explained Chart.

604 Question and answer re reflection of any new taxation in projections. Sen. Ferguson and Comm. Gallagher.

615 Rep. Buccholdt inquired re user taxation. Answer by Comm. Gallagher.

623 Jim Edenso - Chart: "Fund Balance - General Fund and Permanent Fund". Comparison. [Refer to Dept. of Revenue Presentation, black cover, Senate Finance Committee files, Section A.]

673 Question and answer re basis of manner of estimating. Rep. Haugen and Comm. Gallagher.

Question and answer re effect on Federal Revenue Sharing. Sen. Ferguson and Comm. Gallagher.

Question and answer re population projections to 1985. Rep. Gruening and Comm. Gallagher.

Question and answer re inclusion of capitol move. Rep. Meekins and Comm. Gallagher. Comment by Comm. Gallagher re inclusion of haul road.

Questions and answers re Department of Revenue's projection of cost of capitol move and bonding for same. Rep. Cowper, Rep. Haugen and Comm. Gallagher.

737 Jim Edenso - Chart: "Fund Balance" - Comparison of General Fund and Permanent Fund continued.

750 Questions and answers re paying cash for capital move. Rep. Rhode and Sen Ferguson and Comm. Gallagher.

Question and answer re model used for presentation charts. Rep. Cowper and Comm. Gallagher.

Cont.-

768 Chairman Cowper thanked Comm. Gallagher and the members of his staff for presentation.

Meeting adjourned at 3:55 p.m..

Attachments
- Letter from Comm. Gallagher to Chairmen Sackett and Cowper dated January 26, 1977.
- Department of Revenue Presentation, black cover.
- Revenue Sources FY76-78.booklet yellow cover.

STATE OF ALASKA
JAY S. HAMMOND, GOVERNOR
DEPARTMENT OF REVENUE
OFFICE OF THE COMMISSIONER
POUCH S – JUNEAU 99811

January 26, 1977

The Honorable John Sackett
Chairman, Senate Finance Committee
Alaska State Legislature

The Honorable Steve Cowper
Chairman House Finance Committee
Alaska State Legislature

Dear Senator Sackett and Representative Cowper:

I have included in this letter an itemization of changes in the federal income tax code which are not incorporated by reference into the Alaska income tax statutes (AS 43.20). I bring these items to your attention in order that the legislature may make policy determinations on their inclusion or continued exclusion.

In Section 1, Chapter 125 SLA 1976, the income tax statute was amended to provide that newly enacted provisions of the Internal Revenue Code which change or modify exemptions from tax or credits against tax would not become incorporated by reference into Alaska law until the second January following their enactment by Congress. Thus the Alaska Legislature would have two years in which to decide whether changes or modifications in federal exemptions or credits should apply for Alaska purposes. In 1976 Congress made two major changes in the tax credit area which were not incorporated into Alaska law. These two credits are as follows:

1. Congress repealed the child care itemized deduction and substituted in its place a credit equal to 20% of child care expenses up to a ceiling amount. The ceiling is $2000 in child care expenses for 1 dependent ($400 credit) or $4,000 in child care expenses for 2 or more dependents ($800 credit). In addition to making it a credit rather than a deduction, Congress eliminated the previous income limitation. Since the previous itemized deduction was repealed and its replacement is a credit, Alaska has neither the deduction or the credit until the 1978 tax year when the credit will become incorporated. Specific legislative action will be necessary to eliminate the credit permanently or to make it apply sooner.

2. Another tax credit change is the change made to the retirement income credit (IRC Section 37). This credit has been renamed a credit for the elderly since the credit

is no longer restricted to retirement income. The new change broadens the base from just retirement income to all income from which the 15 per credit is calculated. In addition the maximum amount of income against which the credit can apply has also been increased to $3,750 for married couples filing jointly both of whom are over 65 and $2,500 for single persons. The ceiling was previously $1,524 per person. Unless the legislature takes specific action the old credit rules will apply until the 1978 tax year. The department recommends that the new changes be adopted for Alaska purposes.

In addition to federal credits and exemptions which are not automatically incorporated by reference, federal changes in federal tax rates and federal tax tables are not incorporated by reference since Alaska has adopted its own separate rate schedule. A change was made in the calculation of the 1976 federal tax tables. The new federal law replaced the optional tax tables based on adjusted gross income with new tables based on taxable income. Previously taxpayers who had under $20,000 in adjusted gross income and did not itemize their deductions could go straight to the tax tables to find the amount of tax without further calculations to determine the dollar amount of exemptions or standard deduction. The tables automatically calculated the exemptions and standard deduction. With the change to taxable income the taxpayer will have to compute his or her standard deduction and exemptions prior to going to the tax table. Since Alaska law bases its tax tables on adjusted gross income the federal change will not apply. The department recommends that tax tables for Alaska income tax purposes remain based upon adjusted gross income rather than upon taxable income because it simplifies the tax calculation for the taxpayer.

If you, or your staff have any further questions about recent federal income tax changes please let me know.

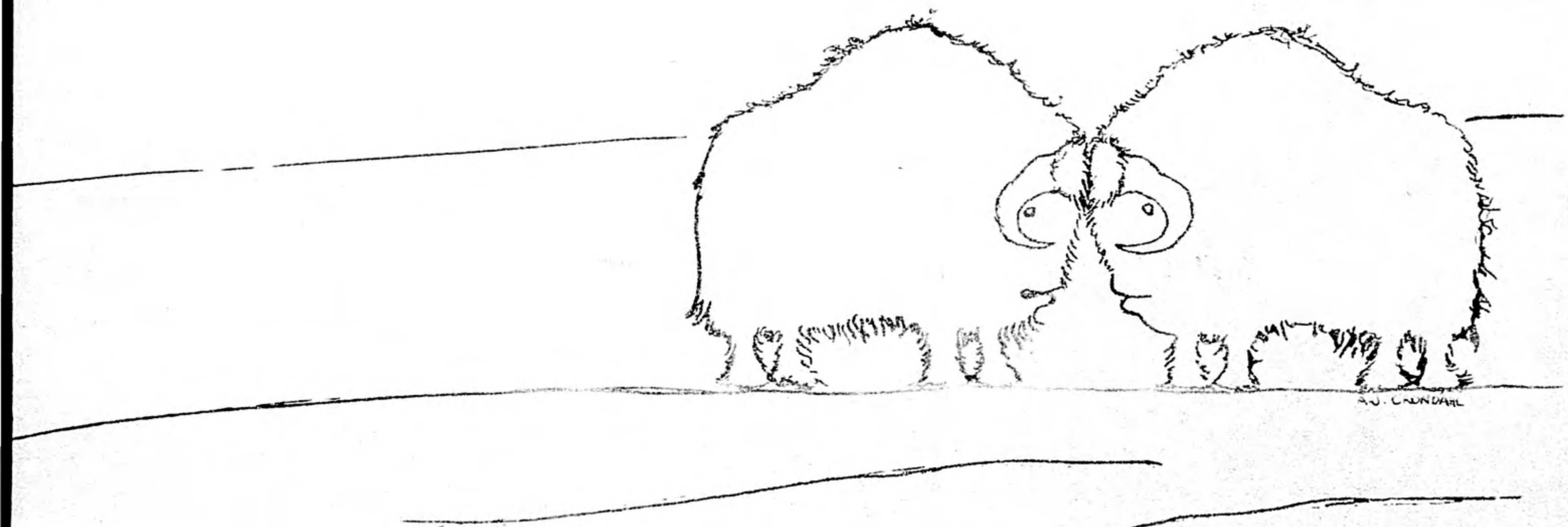
Sincerely,

Sterling Gallagher

Sterling Gallagher
Commissioner

Revenue Sources

FY 76-78



Attachment to Recorder Log
Joint Committees Mtg. 1/26/77

Jay Hammond, Governor

Revenue Sources was designed to be a workbook for those preparing the state budget so we have left space for notes. Users are invited to make their own captions for the drawing of the musk oxen holding a conversation somewhere in Alaska.

Drawing is by artist Jay Crondahl of Juneau.

Edited by Paul Dodson, Information Officer

THE DEPARTMENT OF REVENUE THANKS THE VARIOUS STATE AGENCIES FOR THEIR PATIENCE AND COOPERATIVE EFFORTS IN COMPUTING ANTICIPATED REVENUES FOR PUBLICATION IN THIS DOCUMENT.

Published January, 1977

Alaska's Revenue Sources

Compiled by Research Section, Department of Revenue

Table of Contents

Introduction

THE REVENUE SOURCE BOOK IS COMPILED ANNUALLY IN ACCORDANCE WITH ALASKA STATUTE 37.07.060(B)(3). ITS PURPOSE IS TO ASSIST THE GOVERNOR IN PREPARING A COMPREHENSIVE PROGRAM AND FINANCIAL PLAN FOR PRESENTATION BEFORE THE STATE LEGISLATURE.

AS AN INTEGRAL PART OF THE BUDGET PROCESS, ANTICIPATED REVENUES PUBLISHED IN THIS SOURCE BOOK ARE ESTIMATED INDIVIDUALLY BY EACH STATE AGENCY. SINCE FISCAL YEAR (FY) 1975, RESPONSIBILITY FOR COMPILING AND PUBLISHING THIS SOURCE BOOK HAS COME UNDER THE JURISDICTION OF THE DEPARTMENT OF REVENUE.

PREVIOUS ISSUES OF THE SOURCE BOOK HAVE SHOWN REVENUE ESTIMATES FOR A 5-YEAR PERIOD. DUE IN PART TO THE FINANCIAL UNCERTAINTIES RESULTING FROM THE CONTINUING IMPACT OF PIPELINE CONSTRUCTION AND FLUCUATING OIL PRICES, THIS ISSUE WILL ONLY PROJECT THROUGH THE UPCOMING BUDGET YEAR (FY 1978).

THREE MAJOR CLASSES OF INCOME ARE RECEIVED BY THE STATE: UNRESTRICTED, RESTRICTED AND SPECIAL FUND REVENUES.

1. UNRESTRICTED REVENUE IS PAID INTO THE GENERAL FUND AND MAY BE APPROPRIATED FOR ANY PROGRAM. SUCH RECEIPTS ARE LISTED BY TYPE IN THE SOURCE BOOK; I.E. TAXES, LICENSES AND PERMITS, ETC.

2. REVENUES RECEIVED FOR SPECIFIC PURPOSES ARE CALLED RESTRICTED REVENUES. THESE COME PRIMARILY FROM THE FEDERAL GOVERNMENT. ONLY BUDGET CATEGORY ESTIMATE TOTALS ARE GIVEN FOR THESE REVENUES DUE TO THE NUMBER AND COMPLEXITY OF SUCH PROGRAMS.

3. SPECIAL FUND REVENUES ARE THOSE RECEIVED INTO FUNDS ESTABLISHED BY STATUTE. THE INTERNATIONAL AIRPORTS REVENUE FUND IS SUCH A REVENUE.

NON-BUSINESS

Fish and Game	203, 205, 210, 217, 218
Motor Vehicle-Operators	220
Motor Vehicle-Titles/ Registration	221, 222
Other	226, 227, 142, 299

INTERGOVERNMENTAL RECEIPTS

FEDERAL SHARED REVENUE

Lands	300, 301, 307, 308
Mineral Rents and Royalties	304-306
Power Act	302, 310

STATE RESOURCES REVENUES

SALE/USE

Bonus Sales	526, 537
Investment Earnings	575, 576, 577, 578
Rents	525, 530-533, 538
Royalties	527, 539, 540, 547
Sale of State Property	474, 534, 617, 621, 578

FACILITIES RELATED CHARGES

Airports	440-442, 443, 446, 447, 450, 451, 453
Ferry System - Southeast	454-456
Ferry System - Southwest	454- 456
Food Services	618, 476
Hospital Fees	475, 589
Non-Hospital Institutional Fees	475, 529, 546, 585, 587, 588
Park & Recreational	471
Quarters Rental	544, 443

SERVICE RELATED CHARGES

Court System	404-408, 500
Health Control	472
Legal Services	403, 475
Sale/Recording of Public/ Legal Documents	483, 228, 402, 473, 477
Services Rendered	475
Statutory Exam Fees	148, 155, 401
Other	500

MISCELLANEOUS REVENUES

RETURNS, ETC.

Compensations	503, 504, 616
Refunds and Recoveries	311, 502, 615, 619, 635, 637, 622
Other	404, 586, 636, 637

Receipt Codes for Unrestricted Revenues

The receipt codes chart lists the new receipt codes and is structured to show how the revenue estimates were compiled.

GENERAL FUND

UNRESTRICTED REVENUES	NEW RECEIPT CODES
TAXES	
INCOME	
Corporate	038
Fiduciary	037
Individual	036
GROSS RECEIPTS	
Alaska Business License	046
Commercial Fish	062, 063, 064
Insurance Companies	019
Public Utilities	020
Other	061
SEVERANCE	
Gravel, Timber, Land, etc.	528, 535
Oil and Gas Production	065, 066, 068
PROPERTY	
Oil and Gas	001
Reserve	006
Vehicle Registration Tax	007
SALE/USE	
Alcoholic Beverages	016
Fuel Tax - Aviation	022
Fuel Tax - Highways	021
Fuel Tax - Marine	023
Tobacco Products	017
OTHER	
Death and Gift	051, 052
School	057
LICENSES AND PERMITS	
BUSINESS	
Alcoholic Beverages	106, 107, 108-109, 110-118, 119
Amusements	105, 145, 146
Commercial Fishing	126-139, 140 (or 126-140)
General Corporation	100, 149
Professional & Occupational	101, 102, 120-124, 199
Regulatory	103, 104, 125, 141, 142, 143, 144 147, 150, 219, 223, 151, 152-154, 231
Other	224

Revenue Sources

Income Taxes

This space for your use

Corporation

Rate is 5.4% on the Alaska taxable income plus 4% surtax on that part of the taxable income over $50,000. *Estimates are based on historical growth rates.*

Due Date	Allocation	Receipt Code
April 15	General Fund	038

Fiduciary

Levied upon income from trusts and estates within Alaska according to a variable rate schedule. *Many Alaskans leave the state upon retirement, thus this item is a minor source of income.*

Due Date	Allocation	Receipt Code
April 15	General Fund	037

Individual

Tax is established by a graduated rate table on taxable income. *Estimates based on employment and wage rate statistics gathered over the past eight years with the pipeline construction slowdown taken into account.*

Due Date	Allocation	Receipt Code
April 15	General Fund	036

(Income taxes are administered by the Department of Revenue)

Business License

Initial fee for business is $25 per year. Additional rates on gross receipts are:
$20,000 to $100,000 ½ of 1 per cent
over $100,000 ¼ of 1 per cent

A 7% rate is levied on the net income of banks, trust companies and savings and loan associations. *Estimates reflect net collections prior to sharing with political subdivisions and are based upon present rates, license fees, and historical growth rates with all statutorily allowed exemptions taken into account.*

Due Date	Allocation	Receipt Code
Renewals due Jan. 31. Returns for prior year due before March 1.	General fund/60% of that collected within boundaries of any municipality or borough are returned to that political subdivision by legislative appropriation.	046

(Administered by the Department of Revenue)

Raw Fish Tax

Raw fish tax for salmon is 3% of value, for crab and razor clams 2% of value, and for herring and butter clams 1% of value.

Due Date	Allocation	Receipt Code
Before April 1	General fund/shared with political subdivisions.	062

Estimates reflect the belief that receipts will remain near the 1976 actual level due to reduced stocks of fish and anticipated shorter or closed seasons.

ge 6-

Notes

Special Funds Revenue Estimates

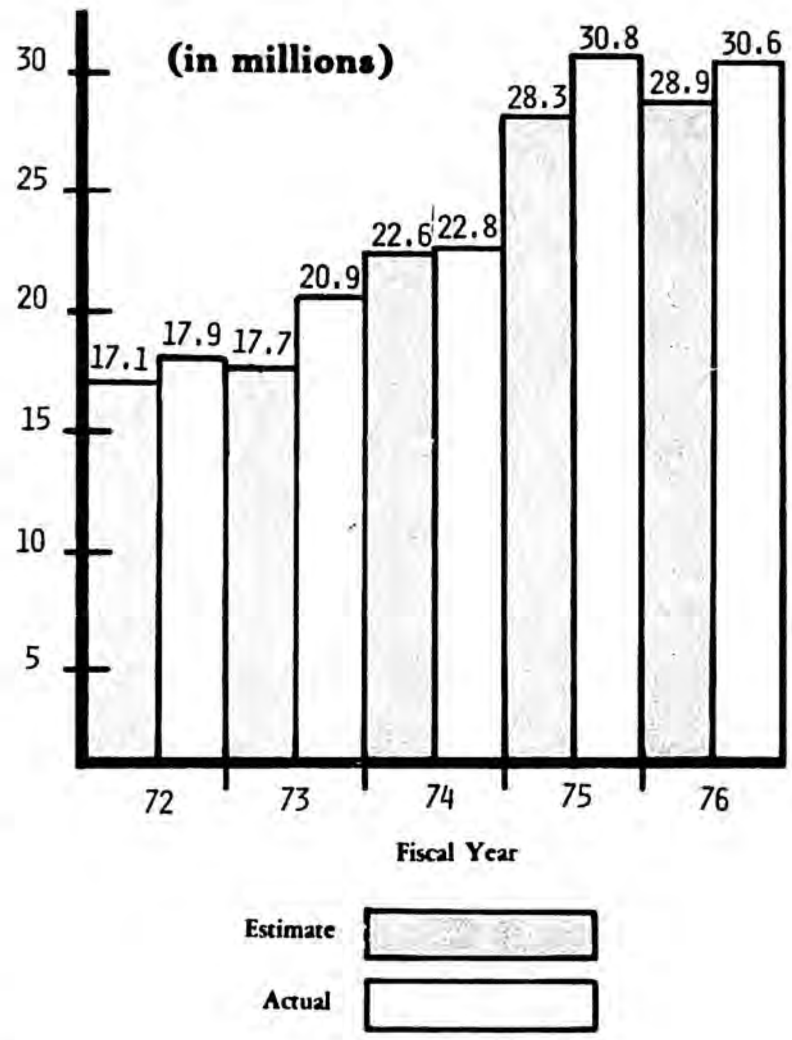
(In thousands)

	1976 ACTUAL	1977 BUDGET ESTIMATE	1977 REVISED ESTIMATE	1978 ESTIMATE
ENTERPRISE FUNDS				
Agriculture Loan Fund	232.0	112.9	179.0	187.0
Child Care Facility Loan Fund 1/	-0-	-0-	.3	2.1
Commercial Fish Loan Fund	54.2	63.0	62.0	72.0
International Airport Revenue Fund				
Urestricted	15,963.0	15,122.8	16,769.9	17,168.4
Restricted	147.0	-0-	-0-	-0-
Total	16,110.0	15,122.8	16,769.9	17,168.4
Medical Malpractice Loan Fund 1/	-0-	-0-	43.5	94.0
Scholarship Loan Fund	162.0	549.1	164.1	320.0
Small Business Loan Fund	48.6	69.0	66.8	79.3
Tourism Loan Fund	88.1	51.0	88.5	93.5
Water Resources Loan Fund 1/	-0-	-0-	-0-	90.0
World War II Veterans Loan Fund	1,561.8	1,390.2	2,037.3	2,038.2
TOTAL ENTERPRISE FUNDS	18,256.7	17,358.0	19,411.4	20,144.5
SPECIAL REVENUE FUNDS				
Federal Revenue Sharing Fund	3,024.7	3,586.5	5,415.4	6,197.2
Fish and Game Fund				
Unrestricted	2,358.6	2,439.6	2,630.2	4,031.2
Restricted	3,885.1	3,897.2	3,750.2	4,360.2
Total	6,243.7	6,336.8	6,380.4	8,391.4
Permanent Fund 2/	-0-	-0-	3,874.4	91,229.2
School Fund	2,883.7	2,900.0	2,741.3	2,604.4
Training and Building Fund	223.0	250.0	238.8	291.8
TOTAL SPECIAL REVENUE FUNDS	12,375.1	13,073.3	18,650.3	108,714.0
TOTAL SPECIAL FUNDS	30,631.8	30,431.3	38,061.7	128,858.5

1/ New Program - Projection made without benefit of prior experience.
2/ See note on page 19.

Special Funds

Historical Comparison



Cold Storage Tax

This space for your use

Shore-based cold storage and other processors are taxed at the rate of 1% of the value as established by the price paid for the raw materials bought or otherwise obtained for freezing, salting, or other methods. *Tax collections the past two years have shown a slight decline.*

Due Date	Allocation	Receipt Code
Due and payable before April 1 of the year following taxable year.	General fund/shared with political subdivisions.	063

Freezer Ships Tax

Freezer ships and other floating cold storages are taxed at 4% of value of raw products obtained for freezing, slating, or other methods of processing; or the taking of crab for export without such processing. *Estimates are based on past five years experience and are rising significantly.*

Due Date	Allocation	Receipt Code
June 15	General fund/shared with political subdivisions.	064

(The Revenue Department administers commercial fish taxes)

Insurance Premium Tax

The following rates are to gross premiums less certain deductibles as permited by AS 21.09.210 and 21.66.110:

Life companies	3%
P&C companies	3%
Domestic companies	1½%
Net hospital service	6%
Title companies	1%
Underwriters profit	3/4 of 1% net
Surplus	3%
Direct/unauthorized	3%

Estimates are based on additional receipts related to recent rate increases.

Due Date	Allocation	Receipts Code
April 1 fo. preceding year	General fund	019

(Administered by the Department of Commerce)

This space for your use

Oil Production Tax

Tax is levied on each barrel of oil sold less any part exempt from taxation. It is based on a daily barrel production of each well for the calendar month and is determined according to the higher computation method of the following schedules:

Per cent method
- 5% on the first 300 barrels
- 6% on the next 700 barrels
- 8% on all in excess of 1,000 barrels

Cents per barrel method

$.16875 on each of the first 300 barrels of 27 degrees API gravity oil;

$.2025 on each of the next 700 barrels of 27 degrees API gravity oil;

$.2700 on each barrel in excess of 1,000 barrels of 27 degrees API gravity oil;

Adjust above cents/barrel rates for ± 2% for each ± API degree gravity difference from 27 degrees, except for oil with gravities above 40 degrees API which will be taxed as 40 degree oil.

Adjust above cents/barrel rates at least semiannually by ± per cent equal to the ± percentage change in the Wholesale Price Index for crude petroleum published by the Bureau of Labor Statistics of the U.S. Department of Labor, based on changes computed from 1967 as base year.

Due Date	Allocation	Receipt Code
Monthly--last day of month for previous month.	General fund/when cents per barrel method is used, 5¢ for each barrel is paid into Alaska Native Fund until amounts paid equal $500 million.	065

Restricted Revenue Estimates

(In thousands)

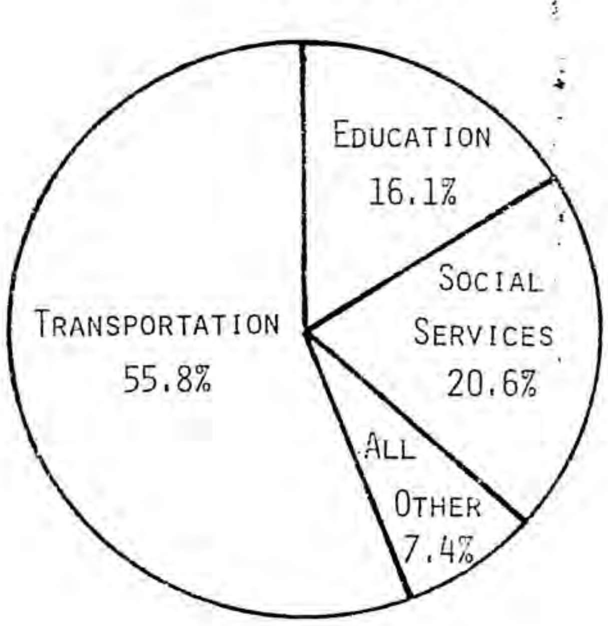
GENERAL FUND RESTRICTED REVENUES 1/	1976 ACTUAL	1977 BUDGET ESTIMATE	1977 REVISED ESTIMATE	1978 ESTIMATE
FEDERAL GRANTS-IN-AID				
I. EDUCATION	35,644.8	44,524.3	32,963.8	33,323.9
II. SOCIAL SERVICES	45,420.5	44,563.8	51,380.9	60,454.8
III. HEALTH	5,035.0	12,248.6	4,178.5	3,802.5
IV. NATURAL RESOURCES	3,727.4	4,028.1	6,045.9	6,199.7
V. PUBLIC PROTECTION	4,511.5	3,952.5	4,087.6	4,112.3
VI. ADMINISTRATION OF JUSTICE	2,518.7	3,330.6	2,326.3	2,767.0
VII. DEVELOPMENT	354.1	300.0	1,388.2	650.6
VIII. TRANSPORTATION	123,246.0	90,000.0	125,000.0	140,000.0
IX. GENERAL GOVERNMENT	282.7	432.8	48.2	61.6
TOTAL FEDERAL GRANTS-IN-AID	220,740.7	203,380.7	227,419.4	251,372.4
OTHER GRANTS-IN-AID				
I. EDUCATION	388.9	685.5	418.7	416.0
II. SOCIAL SERVICES	1,954.2	1,123.0	1,226.3	787.0
III. HEALTH	10.8	182.2	-0-	-0-
IV. NATURAL RESOURCES	1,885.7	5,086.8	4,181.9	2,393.3
V. PUBLIC PROTECTION	101.7	220.2	27.0	102.5
VI. ADMINISTRATION OF JUSTICE	285.8	209.6	234.2	309.2
VII. DEVELOPMENT	1,361.1	423.8	865.6	275.0
VIII. TRANSPORTATION	2,511.1	1,811.1	2,121.3	1,244.4
IX. GENERAL GOVERNMENT	1,604.4	30.0	705.7	924.9
MISC. RESTRICTED REVENUE - ALL CATEGORIES	4,444.3	-0-	474.1	474.3
TOTAL OTHER GRANTS - IN-AID AND MISCELLANEOUS RESTRICTED REVENUE	14,548.0	9,772.2	10,274.8	6,956.6
TOTAL RESTRICTED REVENUE	235,288.7	213,152.9	237,694.2	258,329.0
TOTAL GENERAL FUND REVENUE 2/	945,050.4	887,618.7	1,102,892.3	1,112,355.9

1/ Restricted Revenue figures support the Governor's proposed budget. During the appropriation process, changes may occur as legislative decisions are reached.

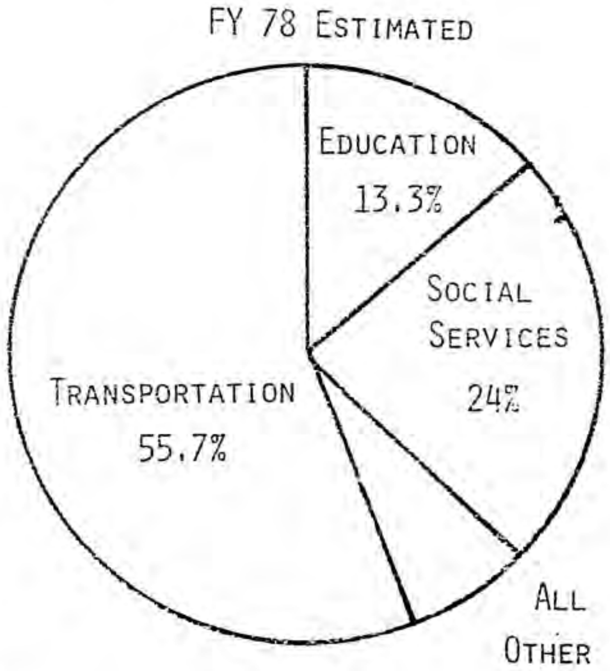
2/ Actual and anticipated receipts are reported on a cash basis and therefore will not agree with those given in the State's Annual Statement which uses a modified accrual basis.

Historical Comparison

FY 76 ACTUAL



FY 78 ESTIMATED



Notes

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Production estimates were taken from Department of Natural Resources' Oil and Gas Division. Prices were assumed to remain controlled in Cook Inlet and to be based on world oil prices netted back to the wellhead in Prudhoe Bay.

Gas Production Tax

The tax is levied on gas sold from each property, less the value of any part exempt from taxation. The rate is 4% of the gross value of the gas and liquified products produced each month. *Production and value estimates were taken from existing contracts. Production taxes equal 4% of the net working interest.*

Due Date	Allocation	Receipt Code
Monthly--last day of month for prior month.	General fund	065, 066, 068

(Oil and gas production taxes are administered by Revenue Department)

Property Tax

Oil and Gas

The oil and gas property tax is levied on the full and true value of taxable property at 20 mills. *Estimates reflect net revenue to the State after credit has been allowed for the municipal governments, and are based on last year's industry estimates.*

Due Date	Allocation	Receipt Code
June 30	General fund	001

Reserve Tax

This space for your use

Estimates assume 20 mills for FY 77 on full and true value of oil and gas in place. Exemptions include State and Federal land and property containing known reserves for which no initial transmissions facilities exist or are in construction. *Assumptions will probably have to be revised to reflect conditions as of the January 1, 1977 assessment date.*

Due Date	Allocation	Receipt Code
June 30	General fund	006

(Property taxes are administered by the Revenue Department)

Sales/Use Taxes

Alcoholic Beverage Excise Tax

Based on alcoholic content. Malt beverages (1% or more alcohol) $0.25 per gallon; wine (21% or less alcohol) $0.60 per gallon; hard liquor (more than 21% alcohol) $4 per gallon. *Estimates based on return to normal historic growth rate since pipeline construction is slowing.*

Due Date	Allocation	Receipt Code
By last day of month for prior month.	General Fund	016

Aviation Fuel

Rates are 4¢ per gallon on aviation gasoline and 2½¢ per gallon on aviation jet fuel. *With completion of the pipeline scheduled for mid-1977, FY 77 should show a slight decline in the number of flights into construction areas.*

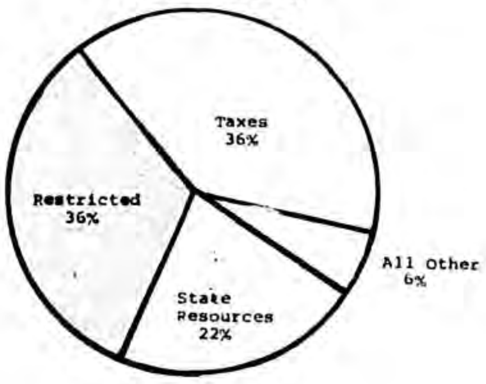
Due Date	Allocation	Receipt Code
By last day of month for prior month.	General fund/Aviation Fuel Account--shared with 10 municipalities on a 60/40 basis where airports are owned by municipalities.	022

	1976 ACTUAL	1977 BUDGET ESTIMATE	1977 REVISED ESTIMATE	1978 ESTIMATE
INTERGOVERNMENTAL RECEIPTS				
FEDERAL SHARED REVENUE				
Lands	1,286.2	1,843.4	549.0	564.0
Mineral Rents and Royalties	5,059.7	3,452.0	3,911.5 [4/]	3,054.2 [4/]
Power Act	2.2	2.5	2.5	2.5
Other	2.6	-0-	-0-	-0-
TOTAL INTERGOVERNMENTAL RECEIPTS	6,350.7	5,297.9	4,463.0	3,620.7
STATE RESOURCES REVENUES				
SALE/USE				
Bonus Sales	7.8	-0-	106.4 [4/]	30.0 [4/]
Investment Earnings	31,699.5	18,360.6	26,935.4	35,046.3
Rents	4,135.9	6,138.1	3,754.8 [4/]	3,229.0 [4/]
Royalties	43,299.7	52,658.0	35,566.7 [4/]	268,198.6 [4/]
Sale of State Property	1,873.6	1,757.5	1,557.5	1,547.5
FACILITIES RELATED CHARGES				
Airports	581.7	1,030.0	669.0	706.0
Ferry System-Southeast	13,951.3	15,709.0	17,009.0	18,809.0
Ferry System-Southwest	1,349.5	1,569.0	1,640.0	1,770.0
Food Service	55.8	62.4	41.0	44.0
Hospital Fees	723.8	100.0	-0-	-0-
Non-Hospital Institutional Fees	1,057.6	1,195.8	1,132.1	1,473.2
Parks and Recreation	64.3	90.0	75.0	90.0
Quarters Rentals	289.1	633.0	193.8	339.1
SERVICE RELATED CHARGES				
Court System	3,676.5	4,427.5	3,898.7	4,388.6
Health Control	10.9	5.5	5.5	5.5
Legal Services	100.1	125.2	110.0	115.5
Sale/Recording of Public/ Legal Documents	269.6	238.5	269.3	283.7
Services Rendered	40.0	500.0	-0-	-0-
Statutory Exam Fees	231.4	251.0	133.0	136.0
Other	.2	104.2	-0-	-0-
TOTAL STATE RESOURCES REVENUES	103,418.3	104,955.3	93,097.2	336,212.0
MISCELLANEOUS REVENUES				
RETURNS, ETC.				
Compensations	1,525.2	401.6	657.4	662.4
Refunds and Recoveries	2,193.4	720.4	2,126.1	2,326.1
Other	198.3	17.3	62.1	55.5
TOTAL MISCELLANEOUS REVENUES	3,916.9	1,139.3	2,845.6	3,044.0
TOTAL UNRESTRICTED REVENUE	709,761.7	674,465.8	865,198.1	854,026.9

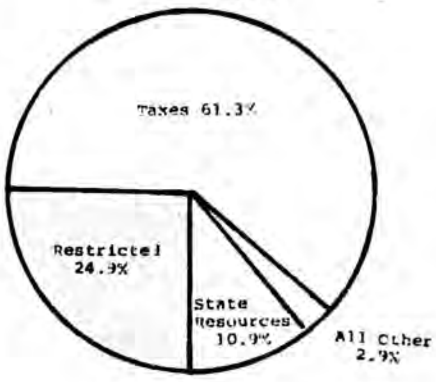
4/ An amendment to the Constitution was approved by voters in November 1976 which reserves not less than 25% of revenue from non-renewable resources to a Permanent Fund. Although specific legislation for administration of the Fund has not yet been adopted, affected revenue estimates have been reduced by $3,874.4 for FY 1977 and $91,229.2 for FY 1978 using March 1, 1977 as the effective date.

General Fund Components

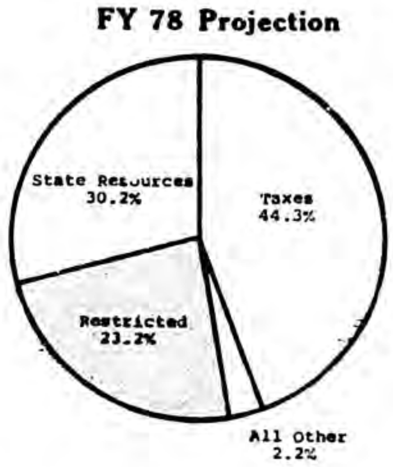
FY 75 Actual



FY 76 Actual



FY 78 Projection



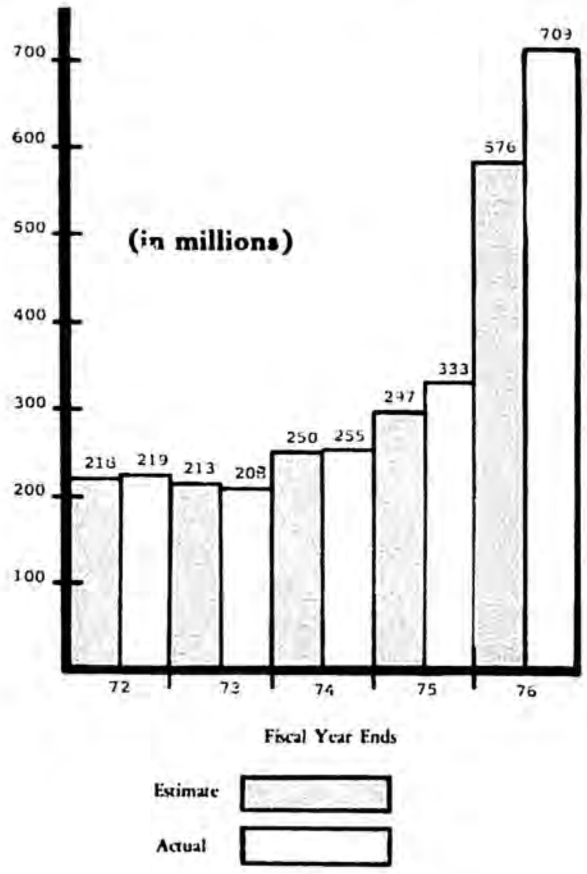
Unrestricted Revenue Estimates – General Fund

(In thousands)	1976 ACTUAL	1977 BUDGET ESTIMATE	1977 REVISED ESTIMATE	1978 ESTIMATE
TAXES				
INCOME				
Corporate	31,103.0	30,558.0	35,300.0	53,440.0
Fiduciary	51.9	55.0	55.0	55.0
Individual	146,202.1	98,562.8	191,766.3 1/	93,403.4
GROSS RECEIPTS				
Alaska Business License	19,077.4	14,411.5	20,430.0	17,422.5
Commercial Fish	3,115.3	3,237.1	5,115.0	3,896.0
Insurance Companies	6,078.7	5,186.5	6,500.0	6,750.0
Public Utilities	926.4	800.0	950.0	975.0
Other	69.1	40.0	40.0	50.0
SERVERANCE				
Gravel, Timber, Land, etc.	1,783.7	1,315.7	1,027.0	807.0
Oil and Gas Production	27,978.5	28,118.0	27,179.0	113,469.0 2/
PROPERTY				
Oil and Gas	83,367.8	70,100.0	140,900.0	168,300.0
Reserve	223,146.6	253,100.0	283,400.0 3/	-0-
Vehicle Registration	-0-	-0-	-0-	198.4
SALE/USE				
Alcoholic Beverages	7,841.8	7,900.0	7,900.0	7.470.0
Fuel Taxes-Aviation	2,963.4	4,075.6	2,800.0	2,940.0
Fuel Taxes-Highway	20,233.4	23,459.6	18,459.6	18,113.7
Fuel Taxes-Marine	1,206.7	1,343.0	1,328.0	1,460.0
Tobacco Products	1,733.6	1,769.2	1,644.8	1,562.6
OTHER				
Death and Gift	158.9	85.0	125.0	125.0
School	2,637.0	2,376.9	2,775.0	2,511.0
TOTAL TAXES	579,675.3	546,494.5	747,694.7	492,948.6
LICENSES AND PERMITS				
BUSINESS				
Alcoholic Beverages	920.6	961.4	955.1	992.3
Amusements	74.6	95.5	85.5	85.6
Commercial Fishing	695.3	625.1	694.2	694.2
General Corporation	990.8	965.1	1,005.4	1,010.8
Professional and Occupational	745.9	614.1	609.8	779.0
Regulatory	1,631.1	1,431.8	1,606.6	1,743.5
Other	35.6	24.0	37.7	39.9
NON-BUSINESS				
Fish and Game	41.9	36.5	49.0	66.7
Motor Vehicle-Operators	466.0	525.0	499.1	531.5
Motor Vehicle-Titles/Registration	10,789.7	11,297.3	11,554.7	12,251.2
Other	9.0	3.0	.5	6.9
TOTAL LICENSE AND PERMITS	16,400.5	16,578.8	17,097.6	18,201.6

1/ Reflects change from quarterly to monthly collection of withholding taxes, net effect estimated to be 21,941.5 for the Fiscal Year.
2/ Reserve tax credit applied.
3/ Based on appraisal made January 1, 1976. Reappraisal scheduled for January 1, 1977 may increase this estimate.

Unrestricted Revenue

Historical Comparison



Highway Fuel

Highway use of gasoline and diesel fuel is at the rate of 8¢ per gallon. "Off-highway" user may claim a refund of 6¢ per gallon on motor fuel within one year of purchase if the 8¢ tax was paid. Refunds are paid out of the Highway Fuel Tax Account. *Estimates based upon historical growth rates.*

Due Date	Allocation	Receipt Code
By last day of month for prior month.	General fund/Highway Fuel Tax Account--used for maintenance and construction of new highways as appropriated by legislation.	021

This space for your use

Marine Fuel

Rate is 4¢ per gallon for fuel used in engines for the propulsion of boats and watercraft. Portions may be claimed at the time of purchase as exempt for non-propulsion use such as heating and cooking. *Historical growth, a slight increase in use of pleasure craft and anticipated increases in off-shore drilling were considered in the estimate.*

Due Date	Allocation	Receipt Code
By last day of month for prior month.	General fund/Watercraft Fuel Tax Account--used	023

(Fuel taxes are administered by the Revenue Department)

Cigarette Tax

This space for your use

A tax of 4 mills is levied on each cigarette imported or acquired in the State. Additional license fees are:

Manufacturers	$5
Vending Machine Operator	$25
Direct-Buying Retailer	$25
Buyer	$25
Distributor	$50

Estimate reflects expected decline in pipeline activity

Due Date	Allocation	Receipt Code
By last day of month for prior month.	$1\frac{1}{2}$ mills of total tax collected goes to General Fund; $2\frac{1}{2}$ mills of tax collected and license fees go to School fund	017

(Administered by the Revenue Department)

Other Taxes

School Tax

$10 per year is collected from all employed persons who have attained age of 19 prior to January. Some exemptions are persons in active military service, persons cared for by the State, persons permanently injured, etc. *Estimates are based on a normal growth rate of 5.25% per year.*

Due Date	Allocation	Receipt Code
January 1	General Fund	057

(Administered by the Revenue Department)

Service Related Charges

This space for your use

Court System

Includes filing fees on civil cases and appeals, notary fees, transcript fees, estate fees, recording fees, fines and forfeitures of bail on criminal and traffic cases prosecuted by the State. *Estimates based on historical annual increase.*

Due Date	Allocation	Receipt Codes
Various	General Fund	Various. See Page 25.

(Administered by the Alaska Court System)

The preceding is a partial list of taxes, licenses and fees collected by the State. More detailed information may be obtained from the individual agencies listed or by writing to the Research Section, Department of Revenue, Pouch SA, Juneau, AK, 99811.

State Resources Revenue

Sales/Use

This space for your use

Investment Earnings

Includes interest on veterans' loans, commercial fishing loans, tourism loans, small business loans and the Alaska Housing Finance Corporation. Interest rates are varied. Also included is interest on bank deposits and interest on investments.

Due Date	Allocation	Receipt Code
Various dates	General Fund	575-578

(Administered by the Revenue Department)

Royalties

Includes royalties from minerals, oil and gas. *Analyses are based on information provided by the Division of Oil and Gas using world oil prices netted back to the wellhead in Prudhoe Bay.*

Due Date	Allocation	Receipt Code
Monthly	General Fund	Various. See Page 25.

(Administered by Department of Natural Resources)

Facilities Related Charges

These include receipts from airports, ferry system, food services, hospital fees, park and recreation fees and quarters rentals. *Estimates based on historical data.*

Due Dates	Allocation	Receipt Code
Various	General Fund	Various. See Page 25.

(Several departments administer these fees)

Licenses and Permits

Alcoholic Beverages

$50 license application fee plus the following fees:

Pub license	$300
Beverage Dispensing Licenses	$500 in communities with population less than $1,500; $1,000 where population is more than 1,500
Club licenses	$400 or $200 when club certifies that gross sales of intoxicating liquors for previous year were less than $5,000
Common carrier dispensing license	$250
Restaurant license	$300
Retail liquor license	$600

Preceding five year growth rates were used as base for estimate

Due Date	Allocation	Receipt Code
December 31	General Fund/Political Subdivisions	Various. See Page 24.

Commercial Fishing

A few of the licenses:

	Resident	Non-resident
Vessel	$10	$30
Troll Line	$15	$45
Set of Long Line	$25	$50
Drift Gill Net (first 100 fathoms)	$10	$30
(Each additional 50 fathoms)	$5	$15

Estimates reflect reduced fish stocks and shorter or closed seasons.

Due Date	Allocation	Receipt Code
Renewed annually	General Fund	Various. See Page 24.

Professional & Occupational

This space for your use

A variety of occupations such as hairdressers, barbers, real estate, and fish and game farms must be licensed in accordance with Alaska Statutes. *Estimates are based on increase of new licenses issued between renewal periods.*

Due Date	Allocation	Receipt Code
Majority are renewed biennially	General Fund	Various. See Page 24.

(Administered by the Department of Commerce)

Regulatory

Covers such items as securities registration, aircraft registration, motor freight carrier weight fee and Alaska Commercial Fisheries Entry Commission. *Estimates based on prior growth rates.*

Due Date	Allocation	Receipt Code
Various dates	General Fund	Various. See Page 24.

Non-Business Taxes

Fish & Game

Hunting, trapping and sports fishing licenses (both resident and non-resident) are included. *Estimates reflect fee increases approved by Legislature.*

Due Date	Allocation	Receipt Code
Annual renewal	General Fund/Special Fund established in Territorial days.	Various. See Page 25.

(Administered by Revenue Department)

Motor Vehicle-Operators

This space for your use

Rates range from $5 operator's license fee to $1 for instruction permits.

Due Date	Allocation	Receipt Code
Renewed at lag intervals every three years.	General Fund	220

Motor Vehicle-Titles & Liens

Covers title transfers and registration fees.

Due Date	Allocation	Receipt Code
As needed by vehicle owners	General Fund	221, 222

(Motor vehicle licenses administered by Department of Public Safety)

Intergovernmental Receipts

Federal Shared Revenue

Covers receipts from the Federal government on timber sales and mineral rents and royalties. The State's share is 90% of proceeds from bonuses, royalties and rentals received on Alaskan lands. *Currently litigation is pending between the Federal and State governments over disposition of receipts derived from lands within the Natural Wildlife Refuge System. Under the most recent Federal directive, such receipts are to be paid to the borough in which the refuge in located. Estimates have taken this into consideration.*

Due Date	Allocation	Receipt Code
Federal cut-off dates are June 30 and December 30. Share received 4-6 weeks after cut-off date.	General Fund/Shared with political subdivisions.	Various. See Page 25.

(Administered by Department of Natural Resources)

JOINT MEETING OF SENATE AND HOUSE FINANCE COMMITTEES
Tuesday, February 22, 1976
1:25 p.m.

Meeting was called to order by Rep. Cowper, Chairman, House Finance Committee at 1:25 p.m..

Present

Senate Finance Committee members present were Sen. Sackett, Sen. Hohman, Sen. Brutrovich, and Sen. Tillion. House Finance Committee members present were Rep. Cowper, Rep. Freeman, Rep. Rhode, Rep. Haugen, Rep. Guy, Rep. Gruening, Rep. Buchholdt, Rep. Swanson, and Rep. Meekins. Others present were Avrum Gross, Attorney General, Mr. Sagalkin, Assist. Atty. General, Mr. Council, Assist. Atty. General, Mr. Maynard, Assist. Atty. General, Bob Schroeder, Fiscal Analyst, Legislative Finance, and Marcus Jensen, Lobbyist.

Purpose of Meeting

Rep. Cowper gave a brief explanation of the purpose of the meeting: The Pipeline Commission is negotiating with Attorney Terry Lenzner who is the Watergate investigator to assist in preparation of the State's case before the Interstate Commerce Commission regarding the pipeline tariff. The amount of the appropriation for this was left open by the Governor to allow the Attorney General some leeway for his negotiations as to the price.

It was pointed out by one of the House Finance Committee members that the Chairman of the Subcommittee on this matter, Rep. Schaeffer, was not present and that the subcommittee had not yet met on the matter. Also, it was suggested that he had probably been furnished with certain materials with which the other members present had not.

Attorney General's Presentation

Avrum M. Gross, Attorney General made his presentation: Last year, as a result of concerns expressed by the Legislature, his office began negotiating with the Alyeska Pipeline companies for the proposed tariff. They retained a firm in Washington, D.C. to bring a proceedings on the State's behalf, if necessary, to protest the tariff if they found that rate to be unreasonable.. That law firm is Donelan & Cleary. It was decided in a session between Donelan & Cleary, his office, and others that it would be desirable for the pipeline companies to present this before the Commission in Washington, D.C. It was also decided that the Alaska Pipeline Commission would do the investigation to decide if the tariff proposed was a justified one. After talking with the Washington counsel, their joint conclusion was that the Pipeline Commission would retain an investigative staff which would do the actual work of reviewing the matter. The Commission retained Terry Lenzner, Esq. who is known regarding the Watergate matter. Mr. Gross pointed out that the purpose of hiring

Mr. Lenzner should not reflect any suspicion whatsoever on the pipeline companies or anyone else involved. Mr. Lenzner's firm has an excellent reputation and experience in tariff problems. His investigation will involve going over all the records of the project with a computer system to determine what areas would warrant further investigation, all labor costs relevant to determining the tariff proposal, what costs could you include in a rate basis. There was a meeting between Mr. Lenzner's office and the Attorney General's office about two weeks ago to determine the role Mr. Lenzner's office would play regarding the Pipeline Commission. There was some concern expressed over the possibility of conflict between Mr. Lenzner's firm and the Attorney General's Office from time to time as to what each office considered to be relevant matters. They met with Mr. Lenzner, Alaska Pipeline Commission and resolved that should such a conflict arise, it would be resolved by the Attorney General. Mr. Lenzner submitted proposed contract similar to the contract tenatively signed with the Pipeline Commission. There is no way to determine definitely the amount of money that would be required to cover this - somewhere between $500,000 to $850,000. It has been negotiated on the basis of an hourly contract.

Role of Atty. Lenzner

An important matter even down to the penny. One cent difference will mean approximately $850,000 per year to the State. The royalty and severance tax is computed by the market price. There has not been a contested hearing before the Pipeline Commission for many years. It is a rather unprecedented matter. It will be the first time that a state has had this type of major interest involved. There are no guarantees as to how it is going to turn out. The appropriation specifically sought is $843,700. This is a rough estimate of what is thought will be necessary for Mr. Lenzner's work. Mr. Lenzner will provide an itemized record of all work done. The Attorney General is satisfied that the appropriation is a reasonable one considering that it is based on an hourly contract.

Chmn. Cowper apologized for the unavailability of copies of materials provided by the Attorney General for the Committee members and also for chairing the meeting when it would probably have been more appropriate for Senator Sackett to have done it.

Apologies of Chmn. Cowper

Rep. Cowper: Regarding the period of six months for the contract indicated on page 1 of the proposed tentative contract, will it have to be renegotiated with Mr. Lenzner at the end of the six months?

Discussion - Re Period of Contract

Attorney General: That contract will be superseded by another contract which you have a copy of also. The amount is for the whole job.

Rep. Cowper: How did you get the figures as an estimate?

Attorney General: He (Mr. Lenzner) sat down and broke down what he thought would be required and multiplied it out in terms of hourly rates. What will actually be paid him will be according to his billings each month for the actual work done.

Discussion -

Rep. Cowper: Regarding the $647,000 still to be appropriated; does that mean that the difference between $843,000 and $647,000 has already been taken care of? The correct amount would be $647,000 that we are talking about today?

Re Appropriation Amount

Attorney General: That is correct.

Rep. Rhode: Is the Commission actually going to set up a tariff or what?

Attorney General: They have to set up an intrastate tariff and that is what they will be doing. The ICC is responsible for setting the interstate tariff. We can testify before them and contest their figure and a decision will be made based on the hearing findings. The ICC has not made any efforts to deal with any contested tariff settings in the last 30 years. We don't think the ICC will get into this nearly as much as the State does as they don't have an advocate's interest in it.

Re Responsibilities of Pipeline Comm. & the ICC

Mr. Gross said that he recently received a call from the television program "60 Minutes". They are thinking of doing a history on the ICC and are interested in how they are going to deal with the Alaska pipeline matter. So, it may be that there will be some real public exposure on this which may be helpful as to how the ICC deals with us.

Re TV Program "60 Minutes"

Rep. Rhode: Would it be to the owners' advantage to have a high tariff?

Re Advantages or Disadvantages of High Tariff

Attorney General: That would depend on many factors. I am inclined to think it would be to their advantage to have a high tariff. Would depend on what interest they have in the pipeline and what interest they have in the field.

Rep. Cowper: Is there any indication that some of the companies that have high interest in the field and not so much interest in the line itself will prepare any defense against the pipeline tariff?

Attorney General: We really don't know at this point. We will be talking more about that. We have lawyers in Washington working on developing a theory and seeking facts.

(Rep. Duncan entered the meeting at 1:50.)

Rep. Cowper: The contract is still being negotiated with

Mr. Lenzner?

Attorney General: Yes, it will follow the format of the one that is included in the materials given to Rep. Schaeffer and will be completed within a week. *Discussion -*

The procedure is to have Mr. Lenzner sign the contract, have it heard to be approved, and then put before the Pipeline Commission to sign. *Re Signing Procedures*

Rep. Cowper said that it is his feeling that the Committee should see the contract before deciding and Mr. Gross replied that he will have a document before the Committee within one week which will essentially be the contract.

Rep. Buchholdt: Is there still any sense in changing the contract to other than an hourly basis?

Attorney General: There would be a possibility of putting one in front of them but most law firms would not sign one other than based on an hourly rate.

Rep. Schaeffer pointed out a discrepancy in the figures presented for an appropriation of $843,700, i.e. $645,700 for Mr. Lenzner, $21,000 for an aduditor and engineer, and $166,000 for Dr. Ilio. Adds up to $832,700, not $843,700 - $11,000 discrepancy. *Re Discrepancy In Appropriation Figures*

Rep. Meekins: How much is the hourly rate for Mr. Lenzner?

Rep. Cowper: $100 per hour for Mr. Lenzner himself and from $100 to $35.00 per hour for others in the firm. *Re Hourly Rate of Lenzner*

Question by Rep. Freeman regarding tariff rate on barrel basis.

Rep. Rhode asked how many intrastate pipelines there are in Alaska.

Attorney General answered: Kenai, Cook Inlet (both interstate and intrastate), and Alyeska. *Re Alaska Pipelines*
Chmn. Cowper asked Mr. Gross when the deadline is for this appropriation.

Attorney General: Have been holding off signing until it is approved. I suspect the sooner the better.

Rep. Guy: Question regarding certain language in Mr. Lenzner's letter.

Attorney General: Mr. Lenzner will be reviewing the economics of the pipeline. The method of setting the tariff will be dealt with by the Pipeline Commission itself.

Rep. Meekins: Do you know if there are any problems with getting the necessary information from the companies involved?

Attorney General: Thus far they have been very cooperative. Later on there may be some problems. We all have a lot of stake in this.

Wash., D.C. Counsel

Rep. Freeman: When you refer to "our lawyers in Washington", who are you referring to?

Attorney General: Donelan & Cleary. They have been hired just for this case.

Recess

Chmn. Cowper asked for further questions or if there were other persons present who would want to testify on this appropriation. There being no further questions and no other persons wishing to testify, the meeting was recessed at 2:05 p.m.

The Senate Finance Committee members left the meeting at the recess break and Chm. Cowper called the meeting to order again at 2:10 p.m..

Chairman's Intention Re Gas Contracts Hearings

Chmn. Cowper announced his intention re the gas contracts to not have full hearings. Each member should read report from Rep. Gruening's Committee and plan to ask Mr. Martin any questions in order to clarify what the State's position is. Members should be prepared to vote on the resolutions at the end of that hearing.

Chmn. Cowper suggested that the Committee report out HB122 with an appropriation of $843,700 since it is important to get this appropriation through as soon as possible with an understanding with the State that the contract will be reviewed and if there are any questions we can meet again and perhaps avoid upsetting the time schedule.

Motion to Adopt & Report Out Comm. Substitute for HB 122

Rep. Gruening made a motion that the Committee adopt and report out with unanimous consent a Committee Substitute for HB 122 substituting the figure of $843,700 for the $500,000 figure on line 10 of the original bill. The motion was seconded and carried unanimously.

Chmn. Cowper said the next matter to come before the Committee is HB 192 and asked the Attorney General to give a brief rundown on the negotiations that took place and basically what the figure represents.

Attorney General's

Attorney General: The Administration, pursuant to terms the Legislature adopted last year, negotiated with Standard

Oil to repurchase So-Cal's interest. So-Cal has vast majority of the oil leases. Union, Texaco and Shell also have some leases in the area. There was a large difference between selling prices of leases along the shore and those in other areas. They approached the State indicating they would like to re-sell the leases. Purchase price could include credits which would be due companies re-selling regarding taxes paid, etc. Arrived at a price. So-Cal wanted what they paid the State, plus taxes, etc. Purchase price $17,441,012 does not include interest. The same including interest comes to about $21,227,873. Standard had paid the State for legal services $28,000 and for other matters. The major item of dispute was the use of the "George Washington Ferris". Mr. Gross advised that the only amounts they thought we should appropriate were those for after May 1, 1972 when they understood that So-Cal intended to lease. He said he believes that the State does not bear the real liability of the Ferris. There is still a real dispute on the matter. They agreed to compromise by paying one-half the cost of getting the Ferris to Alaska. Agreed to take credits over next two years. Will leave a balance of $12,000,000. That is the reason for this appropriation.

Presentation Re HB192

Rep. Rhode asked what the status of negotiations with Shell is.

Discussion -

Attorney General replied that they are non-existent. The agreement is with Texaco and with So-Cal. They had hoped that the other companies would come forward after the negotiations with So-Cal. It is our guess that there will be more negotiations with Shell.

Re Shell

Rep. Meekins asked what the $9,000,000 in credits would come from.

Re Credits

Attorney General: Corporate income tax, severance tax, etc.

Chmn. Cowper asked for further questions, there being none, he thanked Mr. Gross for appearing on both the bills and introduced Mr. John Wiles Lobbyist and representing Chevron-U.S.A. in a legal capacity.

Mr. Wiles said that he would be participating in some of the negotiations and that he had sponsored HB 192. Besides the bill, there is a court case contesting the validity on these leases. The ruling was reversed by the Supreme Court and is back in the Superior Court now. They evaluated the results of the suit and decided that they should enter into the negotiations. Their basic philosophy is against the re-purchase of these leases. However, in view of the court case which could go either way they decided they should reconsider. If the case goes against them, it will invalidate the leases any way. Chevron-USA is therefore

Presentation of John Wiles, Chevron, USA in favor of this bill and would like to see it pass.

Discussion - Re Repurchase of Oil Leases

Rep. Cowper referred to the controversy and said that the Legislature did declare a moratorium on leasing and directed the State to negotiate for the repurchase of the leases. He said he feels that the State owes the money and should pay it.

Opposition by Rep. Freeman

Rep. Freeman said he was extremely and bitterly opposed to the repurchase. In his opinion, it is a blot on the honor of the state. The state sold those leases in a legitimate manner and they were bought and paid for properly.

Rep. Swanson said he had voted as a member of the Resources Committee on the buy-back. He said he went to Kachemak Bay and looked at the George Ferris and decided that if the oil companies were not better equipped than that we should buy the leases back. If we are going to sustain the yield in that bay it would be one way of doing it.

Question by Rep. Haugen re Shell Oil

Rep. Haugen: In the case of Shell Oil Company and the court decision - if it is upheld, could they continue to be there and to drill?

Rep. Cowper said that it is his impression that if the companies lose the lawsuit, the State will have to repurchase those leases from them. If the state loses the lawsuit and the oil companies win, the state can condemn the leases.

Rep. Gruening said he hopes that that situation never arises. Did not direct condemnation proceedings to begin, only directed negotiations to begin. Negotiations were mutually worked out, I think, at this point.

Rep. Cowper said a lot of people had to do some hard thinking on this matter and the lawsuit, of course, took that out of everyone's control any way.

Motion to Report Out HB 192 - "DO PASS"

Rep. Buchholdt made a motion and asked unanimous consent to report HB 192 out of committee. Rep. Freeman objected. Chmn. Cowper asked for a show of hands of the members in favor of reporting HB 192 out. A majority of the members voted to report HB 192 out of committee with a "do pass" recommendation.

Discussion Re Medicaid

Rep. Meekins: Medicaid appropriations were encumbered a long time ago. $40,000 or so extra money rolling around.

Chmn. Cowper gave a further explanation: Appropriations for medicaid each year are pretty much an estimate. What they do at the end of the fiscal year is estimate how many bills they have still outstanding from the beginning of the fiscal year. That estimate has coincided with the exact amount of money appropriated by the Legislature. The legislative audit staff has been following this up for about two years. They have determined some $722,000 is not necessary money for them. The legislature should go back and amend that appropriation of two years ago and take this money out of their budget. The legislative auditors did a really fine job on this.

Legislative Audit Report on Medicaid Appropriation

Rep. Meekins recommended that this year's budget be changed instead. The Department is on notice that the Legislature can come back and take funds back when they learn they are no longer needed.

Discussion -

Mr. Barker responded to a question by Rep. Guy regarding federal matching funds stating that one-half is General Fund and one-half is Federal.
Chmn. Cowper recommended that the committee take up these matters when the bill comes back to the committee for a hearing.

Questions & Answers by Mr. Barker, Fiscal Analyst

Rep. Guy inquired regarding line 23 - bond construction appropriation for program.

Mr. Barker replied that the way it reads is that they are from federal programs. That is the way they are appropriated. They are accounted for separately. They are not common funds and not used for cash payments.

Chmn. Cowper asked for objections to a motion made by Rep. Meekins that the Committee submit a bill regarding this matter. There being no objections, the motion passed unanimously and Chmn. Cowper said the bill would be prepared and submitted to the Clerk.

Motion for Preparation of Hse. Finance Sponsored Bill

Chmn. Cowper suggested that the subcommittee chairmen consider this vehicle when similar matters come up in their budget reviews of other departments.

<u>Discussion of HB 47</u>

<u>HB 47 -</u>

Chmn. Cowper read from a letter from Ted Smith, Director of Land Management. He suggested that all the members of the Committee read Mr. Smith's letter before taking final action on these bills. Mr. Smith suggests that the bill direct the Department of Highways to meet with various groups who will be affected by the railroad.

Re Letter by Mr. Ted Smith

The Administration also advised that testimony could be given regarding the corridor. There is a question as to whether they want to direct that the decision making be kept from public view.

Presentation by Ms. Jesse Dodds re Governor's Position

Ms. Jesse Dodds, Special Assistant to the Governor said that it is the position of the Office of the Governor that it is probably premature at this time. A preliminary study that was done at the direction of the Legislature last year indicates that certain things must be done. Cost-analysis should be done on a priority basis. Must look at the feasibility of the cost-analysis. Going to limit the options in the future. Presently in the process of trying to obtain some federal funds for studies of cost-benefit, rail transportation studies, etc.

Discussion -

Rep. Cowper said that the bill would just delineate a corridor. The federal government would have to designate the corridor as a railroad corridor and power of eminent domain would then be in effect. Is that correct?

Delineation of Railroad Corridor

Ms. Dodds replied: That is true but we have to make our decisions on the effect on our part of it.

Rep. Cowper said that it is his understanding that we are not yet at the point of delineating the specific corridor.

Re Cost-Benefit Analysis

Rep. Meekins asked why we are not at that point yet and Ms. Dodds replied that in the overall transportation picture it hasn't been decided that we are going to extend the railroad in that direction at this time. Rep. Meekins asked what direction it might be extended if not in this proposed direction. Ms. Dodds answered that she is not sure. Ques: Is there something we need to do before this? Ans: Yes, we need to do a cost-benefit analysis first. Ques: What would be wrong with conducting the cost-benefit analysis at the same time that we conduct the corridor study? Ans: Our view is that we do not feel that we should be withdrawing land at this time in view of the d-2, etc. Ques: Have you had an opportunity to review Mr. Smith's letter to Commissioner Martin? Ms. Dodd replied that she had not yet seen that letter.

Ques: Regarding the cost-benefit analysis, are you talking about whether it is economically feasible? Are you saying that the possible position of the corridor should not be delineated until after the cost-benefit analysis?

Rep. Cowper said that it is his understanding that the bill does give the Commissioner the right to choose the position of the corridor. Rep. Meekins said that it seemed to him that if we are going to build a railroad, we will have to know where it is going to be located in order to make a cost-benefit analysis. Ms. Dodds said that merely delineating the corridor is not as crucial as the actual surveying and that part of the work.

Discussion re HB 47 -

Chmn. Cowper thanked Ms. Dodd for appearing and said that he and Mr. Gruening had to leave the meeting. He said he would to take up the matter of referring it to the local committees.

Rep. Swanson's Concern re Possible Delay

Rep. Swanson expressed concern over the possible delay that consideration of changing the order of proceeding with the corridor delineation might cause and said that he had not heard or seen a single realistic or serious proposal by the Governor's Office of a cost-benefit analysis before Ms. Dodd's mention of it. It is his opinion that the requested legislation does nothing more than keep everything in its proper order.

Rep. Freeman asked Rep. Swanson what his reaction is to the suggested amendments by Mr. Smith? Ans: This bill is made up so that the Department of Highways can do the total job without having to split the responsibility. It should save the state some time and money.

Delta Bay Endorsement of Corridor Location

Comment was made that the Kachemak Delta Bay committee had not been contacted. Rep. Swanson said that they fully endorsed the location of the corridor last Friday night (2/18). Their concern was how many corridors there would be. The Delta Bay team recommended that that corridor be the one used if any at all. A telegram is being typed up stating their position and should arrive today some time.

Discussion regarding public hearings referred to in Mr. Smith's letter and the applicable statutes.

(Changed tape - #2467 end of H77-16) (Begin H77-17)

Rep. Duncan asked Rep. Swanson if he would have any objection to making it very specific that the various groups which would be affected by the corridor would be consulted. Could it be put in this bill? Rep. Swanson replied that it could be included. The main thing he didn't want is a dual authority on the corridor. As long as the authority is solely with the Department of Highways, it would be agreeable to him.

Letter of Intent

Rep. Meekins suggested that perhaps a letter of intent would be the best manner of inclusion since there is a possibility of legal hassles resulting from a mandate that certain groups be consulted.

The letter of intent and split authority of responsibilities were discussed.

Rep. Swanson said that they must direct their attention to another question, i.e. whether the Division of Natural Resources should be involved. He said that possibly that could be done with a letter of intent also.

Discussion

Rep. Guy said he thought there should be a motion to direct the Resources people to draft a letter of intent to go with the bill and that the Committee should not withhold action on the bill until after seeing this letter of intent, but that the Committee should be able to change it if it is not acceptable to them.

Rep. Buchholdt said that she tends to think that there should be an understanding between the two Departments that they will coordinate the efforts. She recommended that the Committee wait to act on the bill until after seeing the letter of intent, but that she would go along with the feeling of the majority of the members in that regard.

Rep. Meekins made a motion that the Committee adopt a Letter of Intent that certain groups will be consulted to accompany the bill. The staff was directed that a Letter of Intent be drafted to accompany the bill. The Committee voted by a majority of the members present to report out HB 47 with an attached Letter of Intent.

Motion to Prepare and Adopt Letter of Intent Passed & Report Out HB 47

Discussion of HB 48

Rep. Swanson made a motion to amend line 18 of the bill to read 1979 instead of 1978. The motion was put to a vote and carried unanimously

Motion to Amend HB 48 Carried

Acting Chairman Freeman asked for further comments or debate on HB 48. There being none, Rep. Swanson made a motion to report out HB 48 with an Amendment. The motion was seconded and carried by a majority.

Motion to Report Out HB 48 As Amended

Meeting adjourned at 3:37 p.m.

Tape H77-16
Beg. #0770
End. #2467
Tape H77-17
Beg. #0000
End. #0700

Tape #: HF-77 #16

RECORDER LOG

Date: 2/22/77

Page: 1

General Subject: HOUSE BILL 122 - ALASKA PIPELINE COMMISSION

JOINT MEETING HOUSE AND SENATE FINANCE COMMITTEES

Log #	Description
0772	1:25 p.m. Meeting convenes - Chairman Cowper
	State case before Interstate Commerce Commission
	Attorney General and Governor not to prejudice negotiations ($843,700)
0865	Explanation of negotiations by Gross
	Counsel in D. C. to protest tax rate to ICC (Donelan & Cleary & Associates)
0912	Pipeline Commission to do investigation of pipeline construction.
0918	Terry Lenznor (Watergate Investigator) (Alyeska investigation and audit)
	Scope of investigation
0949	Relationship between Lenznor, Pipeline Commission and Attorney General
0968	Direction of effort from Attorney General's Office
0980	Lenznor contract ($5,850,000)
0997	Tariff amount 1¢ difference would mean $850,000 per year to the state.
1020	No precedent
	$843,700 estimate of what will be needed
	Now operating on basis of hourly time.
1068	Cowper question re: negotiation upon conclusion of contract.
1078	Gross reply
1088	Cowper question pertaining to consideration given to arrive at concrete estimate.
1104	Cowper question re: $843,700 - Did last year's appropriation take care of difference leaving $645,700.
1031	Rhode question re: ICC tariff
1150	Tariff protest procedures
1168	ICC retention of accountants.
1187	Development of study information

Tape #: HF-77 #16

RECORDER LOG

Date: 2/22/77

Page: 2

General Subject: HOUSE BILL 122 - ALASKA PIPELINE COMMISSION

JOINT MEETING HOUSE AND SENATE FINANCE COMMITTEES

Log #	Description
1204	Gruening question of ICC investigation and ruling.
1218	Meekins question
1235	Schaeffer question re: Pipeline Commission personnel not related
	specifically to Alyeska.
1265	Benefit to Alyeska to have a high tariff
	Tariff depends upon area of interest.
1283	Companies with interest to prepare defense.
1301	Basis for selection of Washington firm.
1309	Cowper question - contract still being negotiated
1318	Pipeline Commission waiting for appropriation prior to signing contract
[illegible]36	Gross to have document before committee within one week.
1365	Schaeffer question on contract amount.
1392	Meekins question
1399	Cowper estimate of hourly fee for services.
1413	Cowper question: $645,700 for Lenznor
	$166,000 Illior (sp?)
	$200,000 accountant
	$832,700 Appropriation (figures do not add up)
1439	Freeman - question re: computation 1¢/barrels per day
1456	Rhode - question on total no. of pipelines in Alaska
1466	Cowper - deadline for approval of appropriation.
1476	Guy question
[illegible]3	Lenznor's scope of work
	Washington D. C. Lawyers before ICC

Tape #: HF-77 #16 RECORDER LOG Date: 2/22/77

Page: 3

General Subject: HOUSE BILL 122 - ALASKA PIPELINE COMMISSION

JOINT MEETING HOUSE AND SENATE FINANCE COMMITTEES

Log #	Description
1493	Meekins - Cooperation of Alyeska
1512	Freeman - Donelan & Cleary, Washington law firm hired just for this case.
1533	RECESS - END OF JOINT MEETING 2:00 p.m.

ATTENDANCE

HOUSE FINANCE COMMITTEE	SENATE FINANCE COMMITTEE
Cowper	Sackett
Freeman	Hohman
Buchholt	Butrovich
Duncan	Tillion
Gruening	
Guy	OTHERS IN ATTENDANCE
Meekins	Gross
Schaeffer	Sagalkin
Swanson	Council
Haugen	Mark Jensen
Rhode	Bob Schroeder

CONTENTS

EFFECT OF PERMANENT FUND
(in millions)

YEAR	TOTAL REVENUES	PERMANENT FUND CONTRIBUTIONS 25% RATE	GENERAL FUND UNRESTRICTED REVENUE	EXPENDITURES	BALANCE	PERMANENT FUND CUMMULATIVE BALANCE
1975					483.2	-0-
1976	702.5	-0-	702.5	616.4	569.3	-0-
1977	880.0	2.4	877.6	728.1	718.8	2.4
1978	946.2	89.4	856.8	853.8	721.8	91.8
1979	1238.1	134.2	1103.9	1002.7	823.0	226.0
1980	1576.3	188.5	1387.8	1107.2	1103.6	414.5
1981	1911.7	211.4	1700.3	1227.3	1576.6	625.9
1982	2315.3	249.1	2066.2	1306.4	2336.4	875.0
1983	2736.4	303.3	2433.1	1250.1	3519.4	1178.3
1984	3158.3	347.5	2810.8	1328.8	5001.4	1525.8
1985	3494.2	380.0	3114.2	1410.0	6705.6	1905.8

YEAR	TOTAL REVENUES	PERMANENT FUND CONTRIBUTIONS 50% RATE	GENERAL FUND UNRESTRICTED REVENUE	EXPENDITURES	BALANCE	PERMANENT FUND CUMMULATIVE BALANCE
1975					483.2	-0-
1976	702.5	-0-	702.5	616.4	569.3	-0-
1977	880.0	4.8	875.2	728.1	716.4	4.8
1978	946.2	178.8	767.4	853.8	630.0	183.6
1979	1238.1	268.4	969.7	1002.7	597.0	452.0
1980	1576.3	376.9	1199.4	1107.2	689.2	828.9
1981	1911.7	422.9	1488.8	1227.3	950.7	1251.8
1982	2315.3	498.3	1817.0	1306.4	1461.3	1750.1
1983	2736.4	606.5	2129.9	1250.1	2341.1	2356.6
1984	3158.3	695.1	2463.2	1328.8	3475.5	3051.7
1985	3494.2	760.1	2734.1	1410.0	4799.6	3811.8

YEAR	TOTAL REVENUES	PERMANENT FUND CONTRIBUTIONS 75% RATE	GENERAL FUND UNRESTRICTED REVENUE	EXPENDITURES	BALANCE	PERMANENT FUND CUMMULATIVE BALANCE
1975					483.2	-0-
1976	702.5	-0-	702.5	616.4	569.3	-0-
1977	880.0	7.3	872.7	728.1	713.9	7.3
1978	946.2	268.2	678.0	853.8	538.1	275.5
1979	1238.1	402.7	835.4	1002.7	370.8	678.1
1980	1576.3	565.4	1010.9	1107.2	274.5	1243.6
1981	1911.7	634.3	1277.4	1227.3	324.6	1877.9
1982	2315.3	747.4	1567.9	1306.4	586.1	2625.3
1983	2736.4	909.8	1826.6	1250.1	1162.6	3535.1
1984	3158.3	1042.6	2115.7	1328.8	1949.5	4577.7
1985	3494.2	1140.1	2354.1	1410.0	2893.6	5717.8

Calculations assume construction of the El Paso Gas Line and expenditures related to the North Slope Haul Road and Capital Move. Effective date used for initial contribution to the Permanent Fund is March 1, 1977.

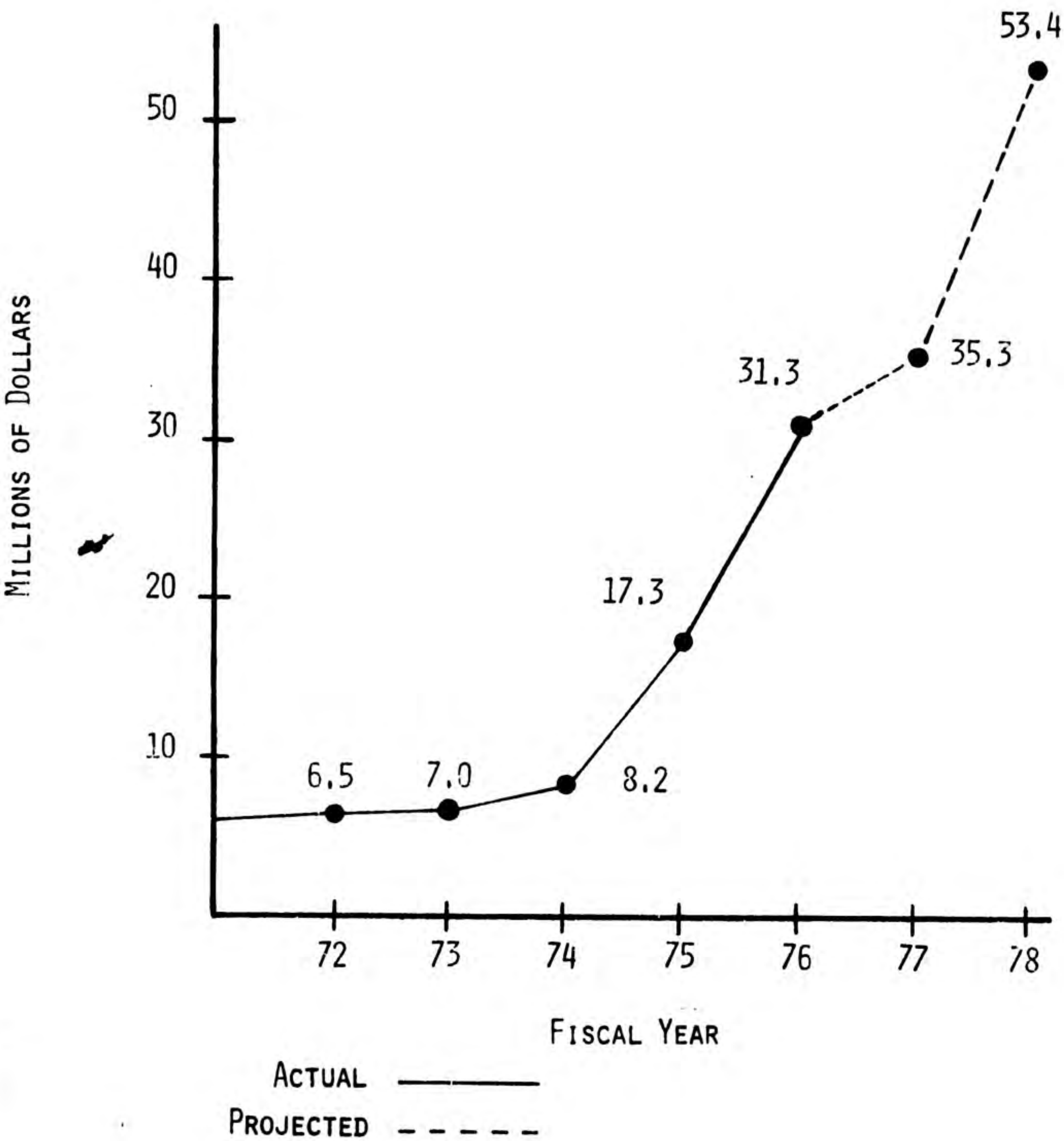
REVENUES
(in millions)

YEAR	TOTAL REVENUES	PETROLEUM RELATED REVENUES	ROYALTIES	PERMANENT FUND CONTRIBUTIONS 25% RATE	50% RATE	75% RATE	UNRESTRICTED G.F. REVENUES 25% RATE	50% RATE	75% RATE
1976	702.5	378.2	43.9	-0-	-0-	-0-	702.5	702.5	702.5
1977	880.0	490.3	38.8	2.4	4.8	7.3	877.6	875.2	872.7
1978	946.2	685.4	357.6	89.4	178.8	268.2	856.8	767.4	678.0
1979	1238.1	921.7	536.9	134.2	268.4	402.7	1103.9	969.7	835.4
1980	1576.3	1203.5	753.9	188.5	376.9	565.4	1387.8	1199.4	1010.9
1981	1911.7	1491.2	845.8	211.4	422.9	634.3	1700.3	1488.8	1277.4
1982	2315.3	1860.7	996.5	249.1	498.3	747.4	2066.2	1817.0	1567.9
1983	2736.4	2211.9	1213.1	303.3	606.5	909.8	2433.1	2129.9	1826.6
1984	3158.3	2519.9	1390.2	347.5	695.1	1042.6	2810.8	2463.2	2115.7
1985	3494.2	2716.4	1520.2	380.0	760.1	1140.1	3114.2	2734.1	2354.1

NON-PETROLEUM RELATED REVENUES	INTEREST EARNINGS ON PERMANENT FUND CONTRIBUTIONS 25% RATE	50% RATE	75% RATE
324.3	-0-	-0-	-0-
389.7	-0-	-0-	-0-
260.8	.1	.2	.3
316.4	6.4	12.8	19.2
372.8	15.1	30.2	45.3
420.5	26.9	53.8	80.7
454.6	39.6	79.2	118.8
524.5	54.4	108.8	163.2
638.4	72.5	145.0	217.5
777.8	93.2	186.4	279.6

Petroleum revenues are based on world oil prices as of November, 1976.

Corporate Income Tax



CORPORATION INCOME TAX

CODE 038

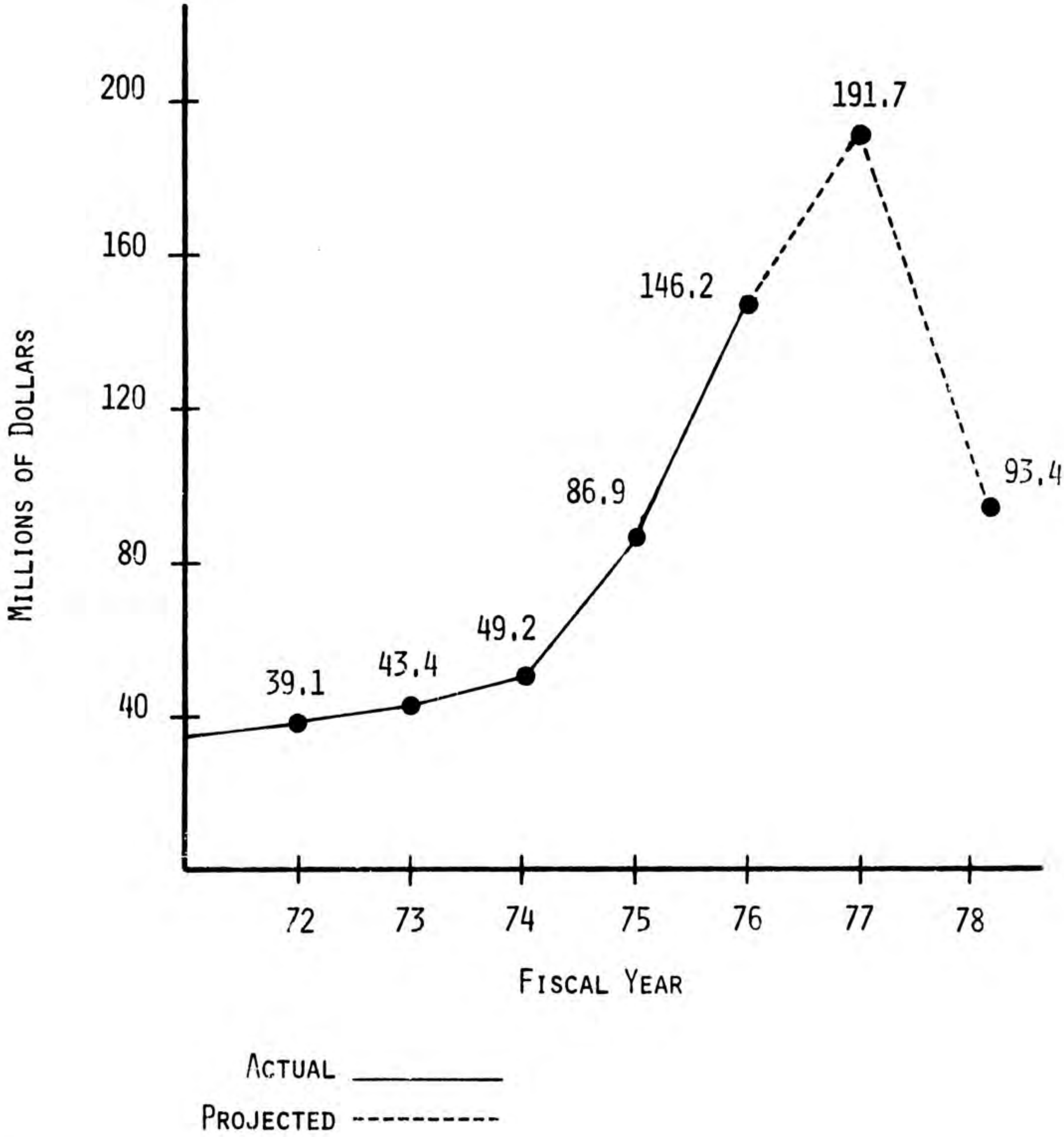
Fiscal Year Ended	Net Collections	$ Increase Over Prior Fiscal Year	% Increase Over Prior Fiscal Year	% of Estimate Realized
6-30-76	$ 31,102,957.65	$ 13,757,626.65	79.32	116.62
6-30-75	17,345,331.00	9,103,898.35	110.46	180.17
6-30-74	8,241,432.65	1,276.981.89	18.34	107.80
6-30-73	6,964,450.76	506,412.12	7.84	101.13
6-30-72	6,458,038.64	393,157.51	6.48	98.96
6-30-71	6,064,881.13	763,807.24	14.41	101.79
6-30-70	5,301,073.89	Base Year	Base Year	115.70

FIDUCIARY INCOME TAX

CODE 037

Fiscal Year Ended	Net Collections	$ Increase Over Prior Fiscal Year	% Increase Over Prior Fiscal Year	% of Estimate Realized
6-30-76	$ 51,885.16	$ (23,834.81)	(31.48)	103.77
6-30-75	75,719.97	42,036.21	124.80	232.98
6-30-74	33,683.76	19,794.99	142.53	112.28
6-30-73	13,888.77	(33,742.05)	(70.84)	27.78
6-30-72	47,630.82	1,868.17	4.08	190.52
6-30-71	45,762.65	14,529.26	46.52	326.88
6-30-70	31,233.39	Base Year	Base Year	240.25

Individual Income Tax

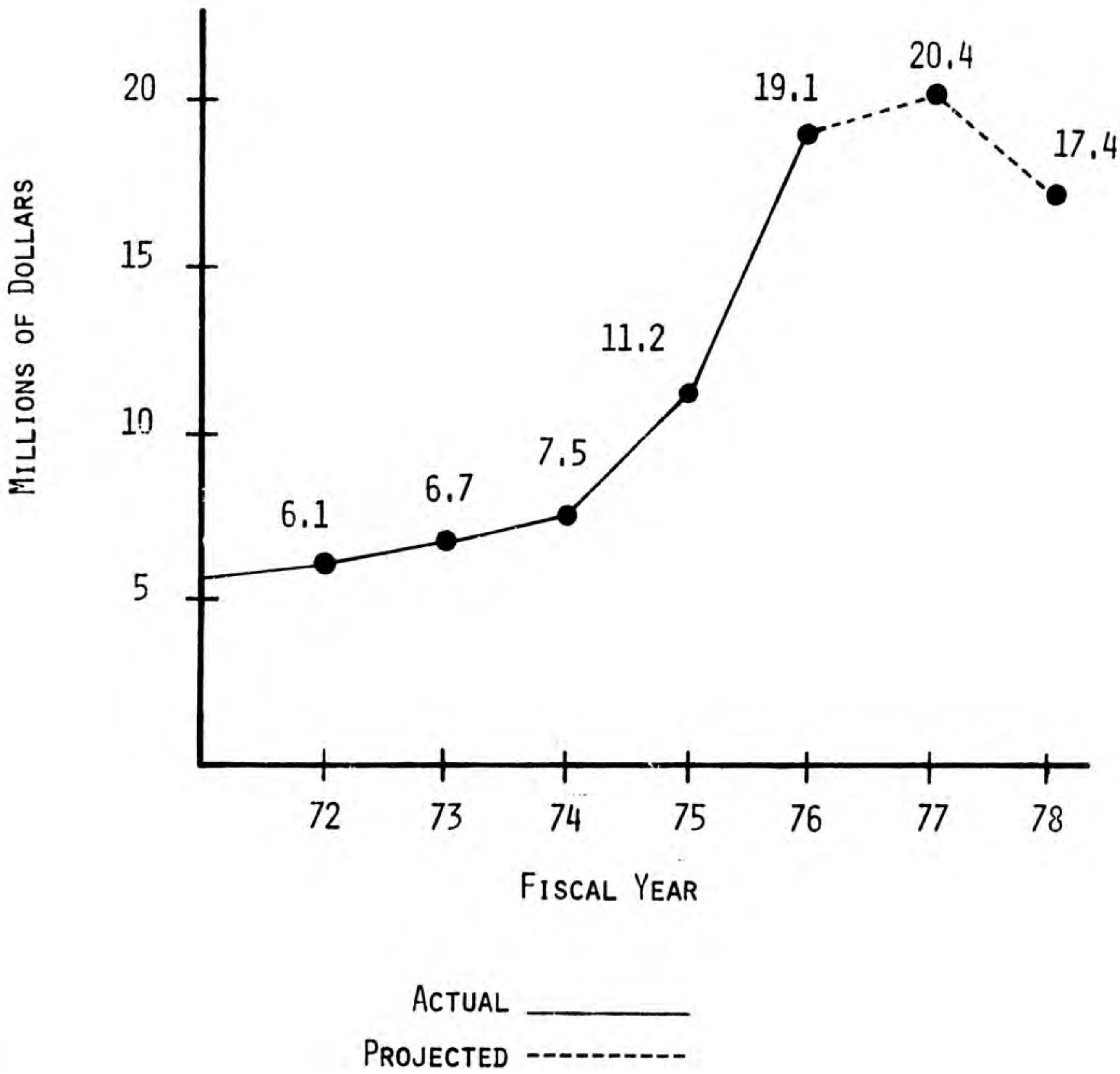


INDIVIDUAL INCOME TAX

CODE 036

Fiscal Year Ended	NET Collections	$ Increase Over Prior Fiscal Year	% Increase Over Prior Fiscal Year	% of Estimate Realized
6-30-76	$ 146,202,135.40	$ 59,302,856.40	68.24	123.70
6-30-75	86,899,279.00	37,715,032.86	76.68	116.00
6-30-74	49,184,246.14	5,821,270.65	13.42	104.59
6-30-73	43,363,707.49	4,287,432.73	10.97	105.66
6-30-72	39,076,274.76	3,612,704.02	10.19	103.66
6-30-71	35,463,570.74	3,040,178.48	9.38	99.57
6-30-70	32,423,392.26	Base Year	Base Year	106.62

Business License Tax

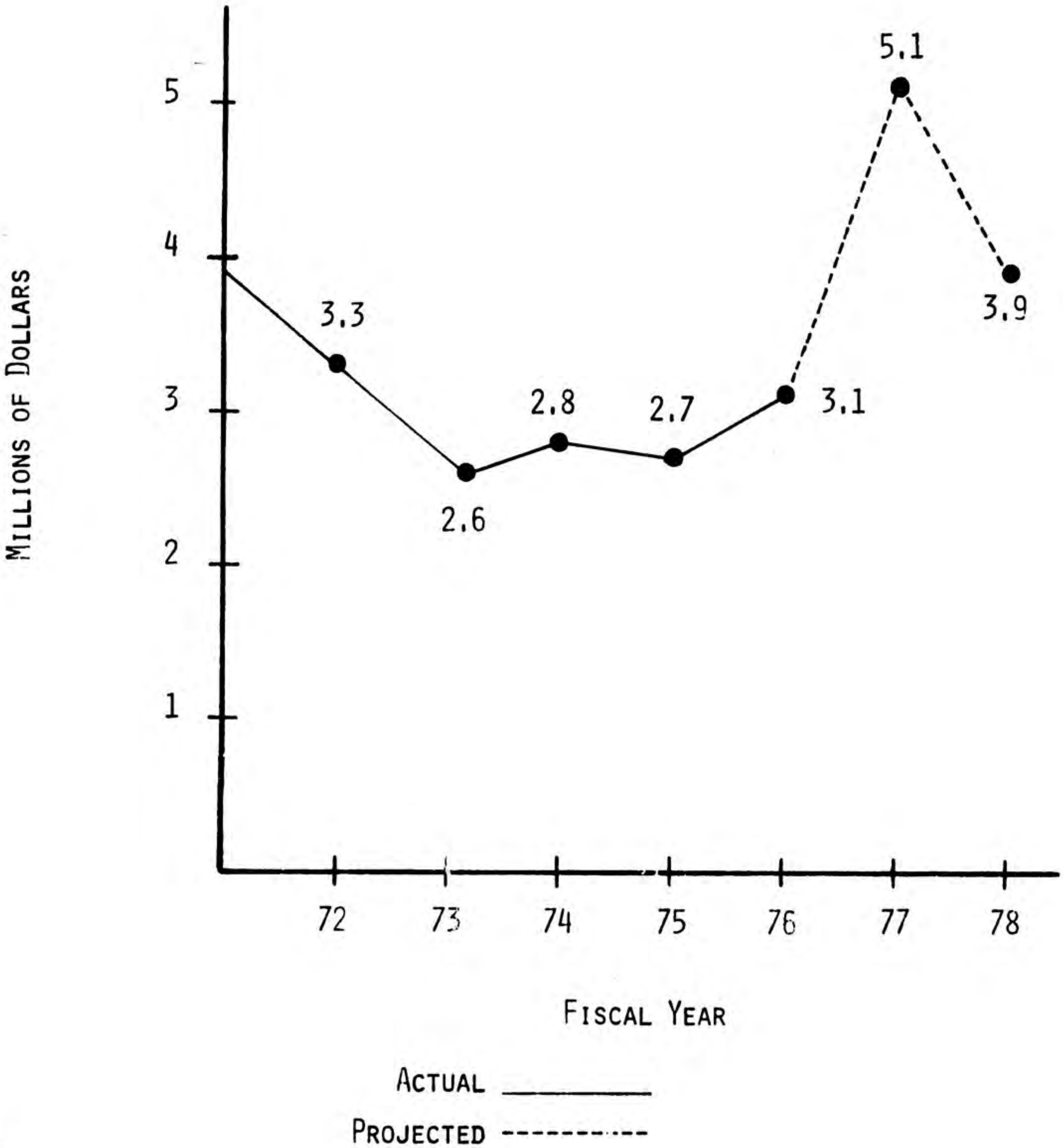


BUSINESS LICENSE TAX

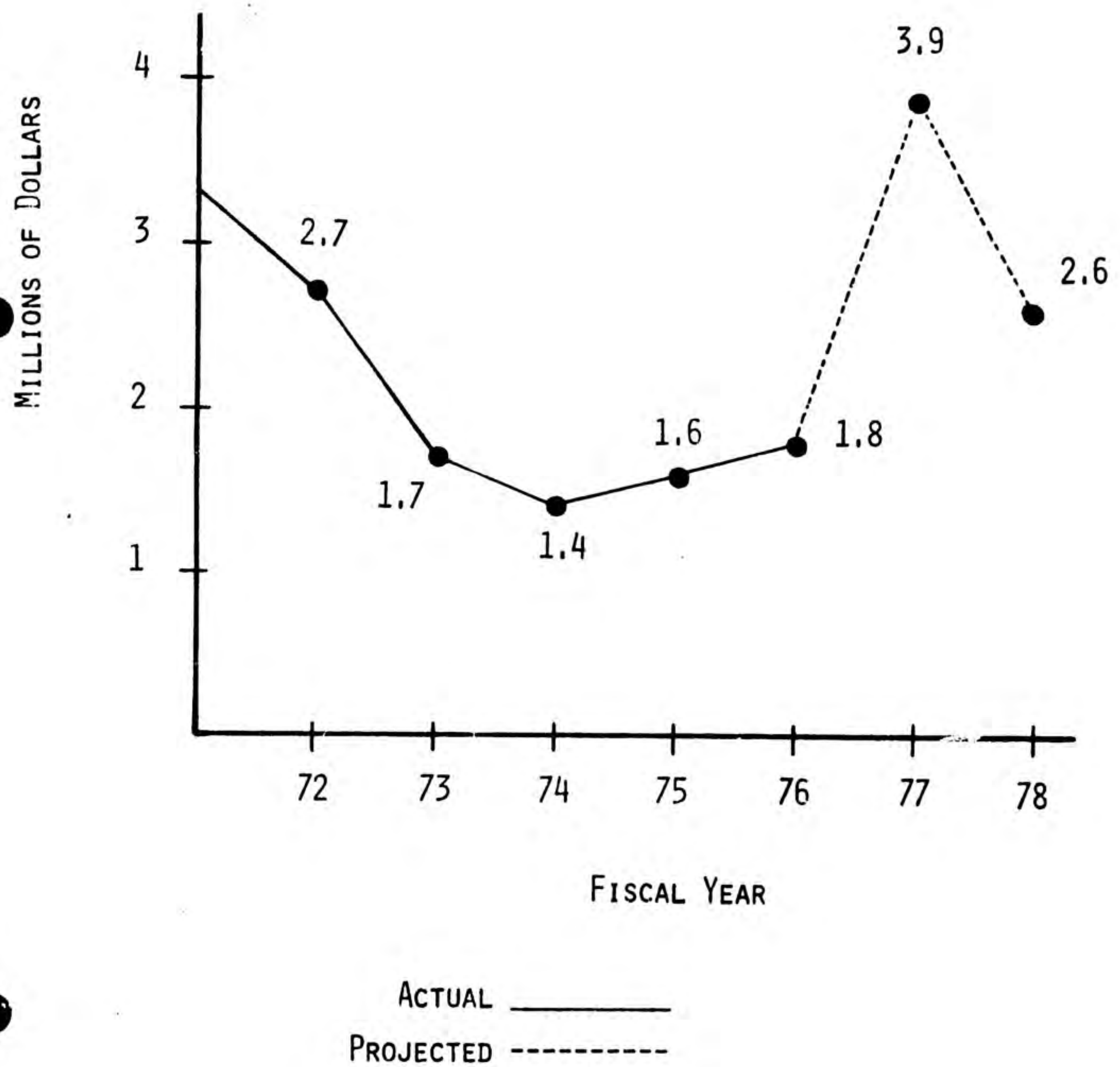
CODE 046

Fiscal Year Ended	Net Collecitons	$ Increase Over Prior Fiscal Year	% Increase Over Prior Fiscal Year	% of Estimate Realized
6-30-76	$ 19,077,407.70	$ 7,898,809.70	70.66	144.94
6-30-75	11,178,598.00	3,639,912.85	48.28	134.80
6-30-74	7,538,685.15	837,179.51	12.49	105.57
6-30-73	6,701,505.64	632,381.89	10.42	104.17
6-30-72	6,069,123.75	485,288.83	8.69	102.46
6-30-71	5,583,834.92	523,312.88	10.34	103.14
6-30-70	5,060,522.04	Base Year	Base Year	112.46

Total Commercial Fish Tax



Commercial Fish Tax
Raw Fish

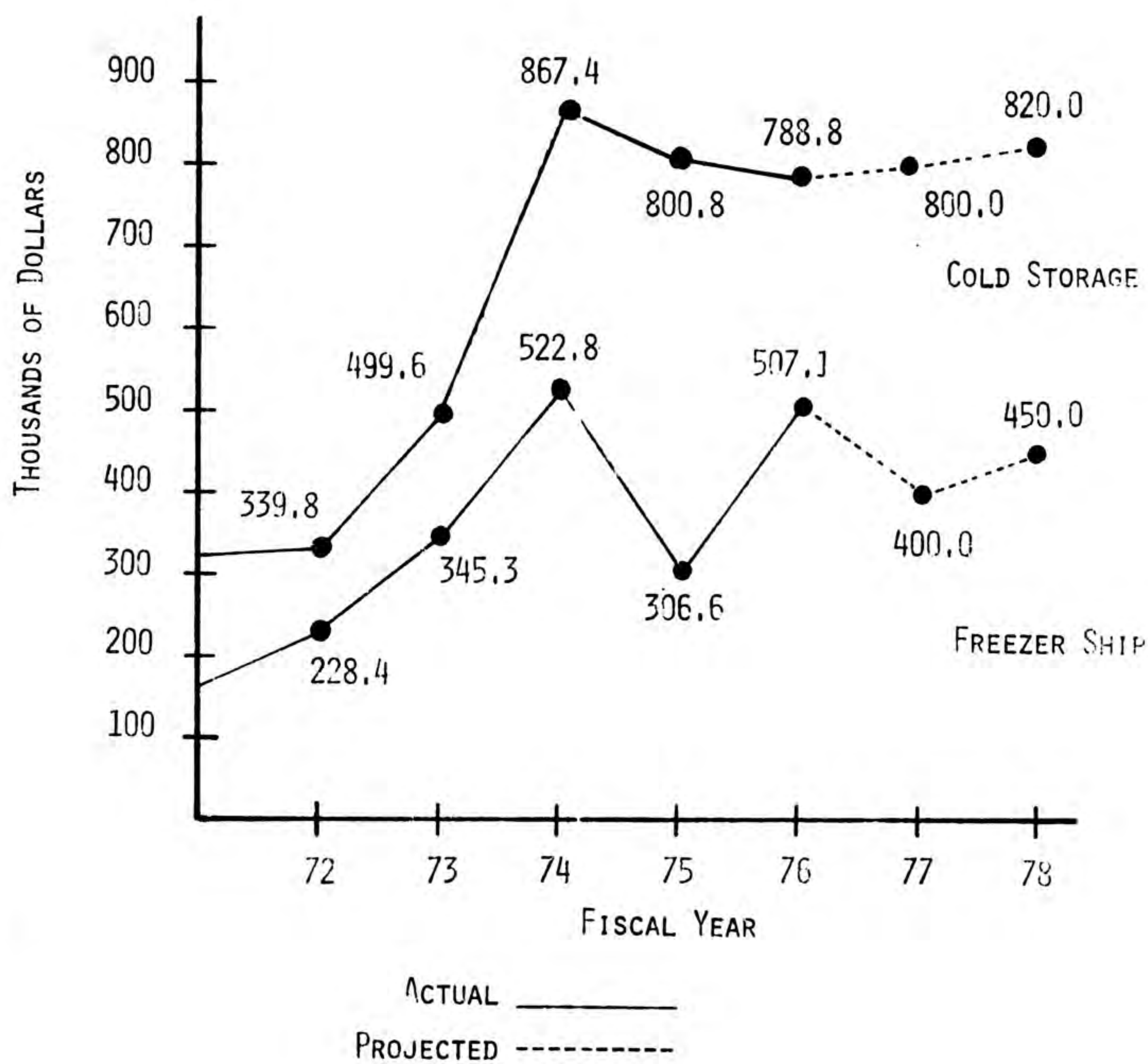


RAW FISH TAX

CODE 062

Fiscal Year Ended	Net Collections	$ Increase Over Prior Fiscal Year	% Increase Over Prior Fiscal Year	% of Estimate Realized
6-30-76	$ 1,819,384.69	$ 199,445.78	12.31	127.97
6-30-75	1,619,938.91	257,212.39	18.87	116.52
6-30-74	1,362,726.52	(298,588.04)	(17.97)	126.59
6-30-73	1,661,314.56	(1,053,061.56)	(38.80)	105.79
6-30-72	2,7[illegible]4,376.12	(776,113.46)	(22.24)	108.04
6-30-71	3,4[illegible],489.58	1,451,222.32)	71.16	105.74
6-30-70	2,039,267.26	Base Year	Base Year	97.01

Cold Storage & Freezer Ship Taxes



COLD STORAGE

CODE 063

Fiscal Year Ended	Net Collections	$ Increase Over Prior Fiscal Year	% Increase Over Prior Fiscal Year	% of Estimate Realized
6-30-76	$788,799.39	$(11,961.10)	(1.49)	93.90
6-30-75	800,760.49	(66,605.90)	(7.68)	102.56
6-30-74	867,366.39	367,796.66	73.62	173.47
6-30-73	499,569.73	159,739.97	47.00	146.93
6-30-72	339,829.76	16,959.95	5.25	116.52
6-30-71	322,869.81	18,959.95	5.94	111.33
6-30-70	304,780.70	Base Year	Base Year	117.22

FREEZER SHIP

CODE 064

Fiscal Year Ended	Net Collections	$ Increase Over Prior Fiscal Year	% Increase Over Prior Fiscal Year	% of Estimate Realized
6-30-76	$507,132.21	$200,524.75	65.40	158.48
6-30-75	306,607.46	(216,191.34)	(41.35)	61.32
6-30-74	522,798.80	177,447.76	51.38	149.37
6-30-73	345,351.04	116,897.03	51.17	150.15
6-30-72	228,454.01	73,962.62	47.87	152.30
6-30-71	154,491.39	(27,352.16)	(15.04)	88.28
6-30-70	181,843.55	Base Year	Base Year	165.31

ELECTRIC AND TELEPHONE COOP TAX

CODE 020

Fiscal Year Ended	Net Collections	$ Increase Over Prior Fiscal Year	% Increase Over Prior Fiscal Year	% of Estimate Realized
6-30-76	$ 926,355.18	$ 238,822.66	34.74	125.18
6-30-75	687,532.52	78,978.01	12.98	104.17
6-30-74	608.554.51	66,408.03	12.25	104.03
6-30-73	542.146.48	73,169.27	15.60	108.43
6-30-72	468,977.21	73,619.67	18.62	110.35
6-30-71	395,357.54	56,900.30	16.81	109.82
6-30-70	338,457.24	Base Year	Base Year	103.19

MINING & MINING TAX

CODE 061

Fiscal Year Ended	Net Collections	$ Increase Over Prior Fiscal Year	% Increase Over Prior Fiscal Year	% of Estimate Realized
6-30-76	$ 69,119.45	$ 53,623.52	558.54	105.69
6-30-75	10,495.93	(17,925.92)	(63.07)	34.99
6-30-74	28,421.85	12,446.85	77.91	142.11
6-30-73	15,975.00	(14,771.00)	(48.04)	49.92
6-30-72	30,746.00	14,177.65	84.90	180.86
6-30-71	16,628.35	(28,409.65)	(63.08)	33.26
6-30-70	45,038.00	Base Year	Base Year	102.35