

HOUSE / SENATE FINANCE COMMITTEE MINUTES - 1967-1982 2675

STATE CIGARETTE TAX RATES - AUGUST 10, 1976

<u>STATE</u>	<u>¢ PER PACK</u>
Alabama	12.0 ¢
Alaska	8.0 ¢
Arizona	13.0 ¢
Arkansas	17.75¢
California	10.0 ¢
Colorado	10.0 ¢
Connecticut	21.0 ¢
Delaware	14.0 ¢
District of Columbia	13.0 ¢
Florida	17.0 ¢
Georgia	14.0 ¢
Hawaii	10.0 ¢
Idaho	9.1 ¢
Illinois	12.0 ¢
Indiana	6.0 ¢
Iowa	13.0 ¢
Kansas	11.0 ¢
Kentucky	3.0 ¢
Louisiana	11.0 ¢
Maine	16.0 ¢
Maryland	10.0 ¢
Massachusetts	21.0 ¢
Michigan	11.0 ¢
Minnesota	18.0 ¢
Mississippi	11.0 ¢
Missouri	9.0 ¢
Montana	12.0 ¢
Nebraska	13.0 ¢
Nevada	10.0 ¢
New Hampshire	12.0 ¢
New Jersey	19.0 ¢
New Mexico	12.0 ¢
New York	15.0 ¢
North Carolina	2.0 ¢
North Dakota	11.0 ¢
Ohio	15.0 ¢
Oklahoma	13.0 ¢
Oregon	9.0 ¢
Pennsylvania	18.0 ¢
Rhode Island	18.0 ¢
South Carolina	6.0 ¢
South Dakota	12.0 ¢
Tennessee	13.0 ¢
Texas	18.5 ¢
Utah	8.0 ¢
Vermont	12.0 ¢
Virginia	2.5 ¢
Washington	16.0 ¢
West Virginia	12.0 ¢
Wisconsin	16.0 ¢
Wyoming	8.0 ¢

SUMMARY OF PRECEDING TABLE OF CIGARETTE TAX RATES

CIGARETTE TAXES BY RATES -- AUGUST 10, 1976

<u>TAX RATES</u>	<u>No. OF STATES</u>
2.0 ¢	1
2.5 ¢	1
3.0 ¢	1
6.0 ¢	2
8.0 ¢	3 (including Alaska)
9.0 ¢	2
9.1 ¢	1
10.0 ¢	5
11.0 ¢	5
12.0 ¢	8
13.0 ¢	6
14.0 ¢	2
15.0 ¢	2
16.0 ¢	3
17.0 ¢	1
17.75¢	1
18.0 ¢	3
18.5 ¢	1
19.0 ¢	1
21.0 ¢	2
	<u>51</u>

GENERAL INFORMATION

- 5 States have lower cigarette tax rates than does Alaska
- 2 States have the same cigarette tax rate as does Alaska
- 43 States have higher cigarette tax rates than does Alaska

SOURCE OF STATISTICS

Tax Administrator's News

STATE MOTOR FUEL TAX RATES
 SEPTEMBER 1976
 (¢ per gallon)

<u>STATE</u>	<u>GASOLINE</u>	<u>DIESEL</u>	<u>LIQUID PETROLEUM GAS</u>
Alabama	7	8	8
Alaska	8	8	No Tax
Arizona	8	8	8
Arkansas	8.5	9.5	7.5
California	7	7	6
Colorado	7	7	7
Connecticut	11	11	11
Delaware	9	9	9
Florida	8	8	8
Georgia	7.5	7.5	7.5
Hawaii	8.5	8.5	8.5
Idaho	9.5	9.5	9.5
Illinois	7.5	7.5	7.5
Indiana	8	8	8
Iowa	7	8	7
Kansas	8	10	7
Kentucky	9	9	9
Louisiana	8	8	8
Maine	9	9	9
Maryland	9	9	9
Massachusetts	8.5	8.5	8.5
Michigan	9	7	9
Minnesota	9	9	9
Mississippi	9	10	8
Missouri	7	7	7
Montana	7.75	9.75	No Tax
Nebraska	8.5	8.5	8.5
Nevada	6	6	6
New Hampshire	9	9	9
New Jersey	8	8	4
New Mexico	7	7	7
New York	8	10	8
North Carolina	9	9	9
North Dakota	7	7	7
Ohio	7	7	7
Oklahoma	6.58	6.58	6.58
Oregon	7	7	7
Pennsylvania	9	9	9
Rhode Island	10	10	10
South Carolina	8	8	8
South Dakota	8	8	6
Tennessee	7	8	7
Texas	5	6.5	5
Utah	7	7	7
Vermont	9	No Tax	No Tax
Virginia	9	9	9
Washington	9	9	No Tax
West Virginia	8.5	8.5	8.5
Wisconsin	7	7	7
Wyoming	7	No Tax	No Tax
Washington D.C.	10	10	10

SOURCE OF STATISTICS: Tax Administrators News

SUMMARY OF PRECEDING TABLE OF GASOLINE TAX RATES

AS OF SEPTEMBER 1, 1976

<u>TAX RATE PER GALLON</u>	<u>NO. OF STATES</u>
5.0 ¢	1
6.0 ¢	1
6.58 ¢	1
7.0 ¢	13
7.5 ¢	2
7.75 ¢	1
8.0 ¢	10
8.5 ¢	5
9.0 ¢	13
9.5 ¢	1
10.0 ¢	2
11.0 ¢	1
(Includes Washington D.C.)	<hr/> 51

GENERAL INFORMATION

- 19 States have lower motor fuel tax rates than does Alaska
- 9 States have the same motor fuel tax rate as does Alaska
- 22 States have higher motor fuel tax rates than does Alaska

STATE OF ALASKA

DEPARTMENT OF PUBLIC SAFETY
MOTOR VEHICLE DIVISION
P. O. BOX 960
ANCHORAGE, ALASKA

<u>YEAR</u>	<u>PASSENGER</u>	<u>TRUCK</u>	<u>OTHER</u>	<u>TRAILER</u>	<u>COMMERCIAL TRAILER</u>	<u>MOTORCYCLE</u>	<u>TOTAL</u>	<u>SNOW MACHINES</u>
1947	7,870	4,209	---	---	---	82	12,161	---
1948	10,094	5,636	---	---	---	131	15,861	---
1949	14,087	7,578	---	---	---	164	21,829	---
1950	17,945	8,707	---	---	---	213	26,865	---
1951	25,979	10,638	157	---	---	260	37,034	---
1952	30,460	13,818	862	---	---	274	45,414	---
1953	35,252	15,529	882	---	---	309	51,972	---
1954	38,511	16,674	877	---	---	356	56,418	---
1955	41,847	16,528	823	---	---	415	59,613	---
1956	45,661	16,554	810	---	---	544	63,569	---
1957	49,115	17,233	800	---	---	653	67,801	---
1958	47,642	16,760	630	---	---	724	65,756	---
1959	51,102	18,804	602	---	---	837	71,345	---
1960	68,452	11,905	659	---	---	908	81,924	---
1961	71,965	13,012	633	---	---	1,030	86,640	---
1962	58,231	20,449	2,369	5,584	---	1,051	87,684	---
1963	59,569	22,112	2,452	6,032	---	1,293	91,458	---
1964	63,543	25,212	2,557	6,588	---	2,213	100,113	---
1965	66,997	28,341	2,585	7,412	---	3,326	108,661	---
1966	72,655	27,448	3,178	8,701	1,916	4,319	118,217	---
1967	75,108	28,798	3,379	9,846	1,986	4,770	123,887	---
1968	78,556	30,982	4,182	11,755	2,219	5,607	133,301	1,820
1969	89,205	35,437	3,896	12,322	2,613	6,376	149,849	6,362
1970	93,563	40,978	6,323	16,875	3,375	9,310	170,424	5,412
1971	99,902	45,367	6,835	18,602	3,186	10,513	184,405	5,591
1972	103,269	48,629	5,637	19,929	3,640	10,684	191,788	5,329
1973	111,476	53,029	4,379	23,073	4,006	11,428	207,391	5,194
1974	135,902	66,359	5,624	25,918	5,621	12,981	252,405	4,751
1975	141,019	77,340	4,581	25,733	7,804	12,809	269,286	-

MOTOR VEHICLE REGISTRATIONS BY AREA
1964 - 1975 CALENDAR YEAR

	<u>1964</u>	<u>1965</u>	<u>1966</u>	<u>1967</u>	<u>1968</u>	<u>1969</u>	<u>1970</u>	<u>1971</u>	<u>1972</u>	<u>1973</u>	<u>1974</u>	<u>1975</u>
KOTZEBUE											88	212
SEATTLE											836	1,981
ANCHORAGE	55,097	62,210	65,611	68,067	82,994	95,457	108,967	115,555	122,305	126,114	156,442	166,525
FAIRBANKS	18,291	19,079	20,267	21,312	19,526	24,140	26,403	27,354	27,336	32,609	40,655	44,276
JUNEAU	4,788	4,911	5,335	4,890	5,338	5,477	6,686	7,354	7,471	9,033	10,090	9,548
KETCHIKAN	3,743	4,184	4,291	4,582	4,388	4,812	5,373	5,534	5,674	6,646	7,715	6,274
NOME	594	611	648	648	707	774	664	639	711	771	791	877
SITKA	1,642	1,916	1,991	2,134	1,771	1,654	1,950	1,838	2,001	2,602	2,845	2,633
DOUGLAS	212	173	202	335	332	352	280	----	----	----	----	----
HAINES	482	501	581	583	788	848	1,058	990	968	1,076	1,343	1,309
PETERSBURG	647	675	738	770	803	933	1,098	1,034	1,073	1,164	1,723	1,319
SKAGWAY	270	289	293	320	304	392	422	429	430	412	497	592
CORDOVA	404	709	667	726	708	776	803	855	811	922	1,062	1,076
GLENNALLEN	529	590	683	822	681	869	960	940	949	976	975	1,666
HOMER	1,190	1,209	1,236	1,203	1,217	1,398	1,450	1,418	1,449	1,831	2,070	2,381
KASILOF	151	170	124	132	163	305	248	350	358	18	----	----
KENAI	1,267	1,517	1,684	2,578	4,735	6,228	6,176	5,986	5,862	6,851	5,625	5,280
KODIAK	2,375	2,857	3,158	3,436	2,504	3,359	3,487	3,428	3,597	4,121	4,843	4,496
NAKNEK	191	228	293	277	228	233	270	267	272	13	----	17
PALMER	2,908	3,075	3,062	3,271	2,460	3,953	4,115	4,744	5,159	5,597	6,208	7,127
SEWARD	1,218	1,319	1,166	1,054	1,078	1,067	1,154	1,116	1,169	1,121	1,340	1,308
VALDEZ	375	542	567	498	411	411	635	600	554	657	1,043	1,833
WASILLA	457	449	465	532	402	25	252	416	1	----	----	----
BETHEL	200	199	217	220	229	292	299	317	360	343	396	1
DELTA JUNCTION	900	929	929	1,123	1,054	1,096	1,368	1,275	1,275	1,522	1,637	1,769
NENANA	440	683	792	879	515	677	379	455	457	412	653	734
TOK	454	446	586	524	407	533	476	466	440	797	863	1,312
WRANGELL	403	475	553	632	573	392	563	673	771	707	----	643
YAKUTAT	91	77	95	94	76	----	----	127	10	----	----	----
SELDOVIA	----	----	20	15	10	----	----	----	----	----	----	----
SOLDOTNA	1,558	1,081	1,298	1,518	----	----	----	----	----	30	2,282	3,695
DILLINGHAM	----	----	----	----	----	----	----	245	325	314	383	402
TOTAL	100,877	110,904	117,552	123,175	134,406	156,453	175,536	184,405	191,788	206,659*	252,405	269,286

*Does not include headquarters - 732

COMMERCIAL FISH LICENSE RECEIPTS

FISCAL YEAR July 1, 1975 through June 30, 1976

Prepared July 1, 1976

RECEIPT CODE NO.	TYPE OF LICENSE RECEIPT	NUMBER SOLD	GROSS	COST	NET
126	Vessel	12,427	\$170,952.00	\$ 6,076.24	\$164,875.76
127	Troll Line	2,564	46,325.00	1,334.57	44,990.43
128	Long Line	1,984	53,875.00	1,578.96	52,296.04
129	Drift Gill Net	4,787	111,950.00	4,588.28	107,361.72
130	Set Gill Net	3,719	43,425.00	1,372.07	42,052.93
131	Beach Seine	37	495.00	13.01	481.99
132	Purse & Hand Purse Seine	1,323	125,765.00	3,867.06	121,897.94
133	Beam Trawl	45	2,450.00	(18.19)	2,468.19
134	Otter Trawl	159	12,850.00	162.25	12,687.75
135	Shellfish Pots	1,038	31,980.00	266.19	31,713.81
136)	Clam Digger's	155	402.00	37.45	364.55
137) 40%	Res. Comm. Fishermen	17,829	71,312.00	5,462.38	65,849.62
138)	Non-Res Comm. Fishermen	6,687	80,244.00	5,374.73	74,869.27
139	Scallop Dredge	4	300.00	8.46	291.54
140	Comm Fish Ext. Fee		4,545.00	---	4,545.00
SUBTOTAL To General Fund		52,758	756,870.00	30,123.46	726,746.54
843)	Clam Digger's		603.00	---	603.00
844) 60%	Res. Comm. Fishing		106,968.00	---	106,968.00
845	Non-Res. Comm. Fishing		120,366.00	---	120,366.00
SUBTOTAL To Fishermen's Fund			227,937.00	---	227,937.00
TOTAL		52,758	984,807.00	30,123.46	954,683.54

GROSS SALES \$984,807.00
 COST OF SALES 30,123.46 3.059%
 NET RECEIPTS \$954,683.54

SPORT FISH AND GAME RECEIPTS
FISCAL YEAR JULY 1, 1975 THRU JUNE 30, 1976
PREPARED JULY 1, 1976

CODE	NUMBER	GROSS	NET	NET TO SPORT FISH	NET TO GAME	NET TO GENERAL
201	60,640	303,200.00	287,386.96	287,386.96		
202	16,943	118,601.00	112,683.57		112,683.57	
203-A	1,379	1,379.00	13,102.82		9,173.88	3,932.94
204	38,010	456,120.00	432,632.68	180,263.60	252,369.08	
205	9,473	142,095.00	134,912.34	44,970.77	62,953.09	26,982.48
206	25,171	251,710.00	239,372.94	239,372.94		
207	20,077	401,540.00	380,672.74	380,672.74		
208	5,694	113,850.00	108,281.74		108,281.74	
209	1,668	66,720.00	63,434.50	31,717.25	31,717.25	
210	39	7,800.00	7,442.40		1,438.47	5,953.93
210	2	200.00	191.17			191.17
217-3B	1,153	3,459.00	3,304.83			3,304.83
218	1,674	3,348.00	3,186.65			3,186.65
211	137	2,740.00	2,631.60			2,631.60
212	3	300.00	288.00			288.00
213	36	1,800.00	1,728.31			1,728.31
214	1	150.00	142.65			142.65
201-B	5	5.00	4.77	4.77		
205-254	5,522	1,380.50	1,312.55	437.49	612.53	262.53
SUBTOTAL	187,627	1,888,838.50	1,792,720.22	1,164,826.52	579,288.61	48,655.09
216	7,518	691,800.00	658,899.27		658,899.27	
TOTAL	195,145	2,580,638.50	2,451,619.49	1,164,826.52	1,238,187.88	48,655.09

				BREAKDOWN OF TAG SALES		
RESIDENTS ENTITLED TO SPORT FISH	113,650			MUSK OX	50	36,000.00
NON. RES. ENTITLED TO SPORT FISH	46,916			B & G BEAR	966	144,900.00
	160,566			BLACK BEAR	997	74,775.00
RESIDENTS ENTITLED TO HUNT	71,327			GLACIER	16	2,400.00
NON. RES. ENTITLED TO HUNT	7,401			DEER	483	12,075.00
	78,728			MOOSE	1,868	186,800.00
RESIDENTS ENTITLED TO TRAP	17,527	GROSS	2,580,638.50	SHEEP	686	102,900.00
NON. RES. ENTITLED TO TRAP	39	COST	129,019.01	ELK	9	675.00
	17,566	NET	2,451,619.49	GOAT	428	32,100.00
			4.999%	CARIBOU	1,779	88,950.00
				WOLF	173	8,650.00
				WOLVERINE	63	1,575.00
				TOTAL	7,518	691,800.00

COMPUTATION METHODOLOGY
FOR OIL AND GAS REVENUES

Oil Production Tax - Receipt Code 065

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

(A) Per Cent Method

1. 5% on the first 300 barrels.
2. 6% on the next 700 barrels.
3. 8% on all in excess of 1,000 barrels.

(B) Cents Per Barrel Method

1. \$.16875 on each of the first 300 barrels of 27 degrees API gravity oil.
2. \$.2025 on each of the next 700 barrels of 27 degrees API gravity oil.
3. \$.2700 on each barrel in excess of 1,000 barrels of 27 degrees API gravity oil.
4. Adjust the above cents per barrel rates by $\pm 2\%$ for each \pm API degree gravity difference from 27 degrees, except for oil with gravities above 40 degrees API, which will be taxed as 40 degree oil.
5. Adjust the above cents per barrel rates at least semi-annually by \pm per cent equal to the \pm percentage change in the Wholesale Price Index for crude petroleum published by the Bureau of Labor Statistics (U.S. Department of Labor) based on changes computed from 1967 as base year.
6. The tax is collected monthly, the last day of the month for the previous month.
7. Taxes collected are allocated to the General Fund; when the cents per barrel method is used, 2% of the gross value of oil produced or removed is paid into the Alaska Native Fund until amounts paid equal \$500 million.

Gas Production Tax - Receipt Code 068

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.

Oil and Gas Conservation Tax - Receipt Code 066

The oil and gas conservation tax is levied upon the producer of oil. The rate of taxation is one-eighth of one - per cent on each barrel of oil removed or sold from each property, less any exemptions.

Allocation

Revenues from Oil Production Tax, Gas Production Tax and Oil and Gas Conservation Tax are paid into the General Fund.

Basis for Estimates

The Royalty, Production Tax and Conservation Tax income is obtained by estimating the total oil, condensate and plant products production and total gas sales for each month during the forecast period. This production data, (wellhead values, wholesale price index, number of producing wells and native claims net interest factors), is entered into a computer program which calculates each month's income for oil and gas field and State total for the affected revenue receipt codes.

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GENERAL FUND PROJECTIONS
BALANCE AVAILABLE FOR APPROPRIATION (1)
(Millions of Dollars)

Available Balance 6/30/77		\$668.2
Estimated:		
Unrestricted Receipts	\$759.1	
Appropriations (2)	(844.3) (3)	
Surplus		<u>(85.2)</u>
Available Balance 6/30/78 (1)		583.0
Estimated:		
Unrestricted Receipts (4)	\$928.5	
Appropriations (2)	<u>(914.8)</u>	
Surplus		<u>13.7</u>
Available Balance 6/30/79 (1)		\$596.7

The purpose of this table is to indicate the expected balances legally available for appropriation as a result of FY 78 and FY 79 operations. This table and the one following it, which shows "cash available for new appropriations" are based upon the appropriation requested at this time as well as an estimate for future requests based on our current revenues. In the past, budget documents have not made reference to additional appropriations that would be required and other that may be reasonably be expected to result from new legislation. These two tables are conservative to the extent that they do not contain estimated receipts for tax changes which will be proposed to the 1978 legislative session nor the incremental State appropriations to be proposed if new revenues are provided.

- (1) This table does not consider cash flow problems caused by fixed investments not readily saleable.
- (2) Estimate includes bills not yet introduced.
- (3) FY 78 appropriations are net of the expected lapse. FY 79 lapse is expected to equal supplemental needs.
- (4) This does not include the effect of changes to existing tax structures proposed to the 1978 Legislative Session.

GENERAL FUND PROJECTIONS
CASH AVAILABLE FOR NEW APPROPRIATIONS

Balance available for appropriation 6/30/77		\$668.2
Investments not readily saleable		<u>(210.0)</u>
Cash available for new appropriations		\$458.2
FY 78 operations through 6/30/78		
Revenues	\$759.1	
Appropriations (estimated)	(844.3)	
Investment not readily saleable	<u>(60.0)</u>	
General fund increase		<u>(145.2)</u>
Cash available for new appropriations 6/30/78		313.0
FY 79 operations through 6/30/79		
Revenues	928.5	
Appropriations	(914.8)	
Investments not readily saleable	<u>(69.0)</u>	
Cash Balance available for new appropriations		<u>257.7</u>
Add: total investment not readily saleable		<u>339.0</u>
Balance legally available for appropriation		\$596.7

The purpose of this table is to show how many dollars the State could actually pay out for new appropriations, not the amount of cash that is actually in the State Treasury. The cash available for the new appropriations number is lower than the amount actually in the treasury since it takes into account liabilities that the State has or will have on appropriations.

STATE OF ALASKA
THE LEGISLATURE

LEGISLATIVE AFFAIRS AGENCY

POUCHY - STATE CAPITOL
JUNEAU, ALASKA 99811
907-465-3800

MEMORANDUM

November 4, 1977

SUBJECT: FY 1978 Revenue Forecasts

TO: All Interested Legislators

FROM: Richard G. Haggart
Research Analyst



The recent Supreme Court decision to stay, at least temporarily, the Interstate Commerce Commission's June 28 order setting interim tariffs for the trans-Alaska pipeline system necessitates a further update of the Legislative Affairs Agency's fiscal 1978 revenue forecast. The revised forecast, with accompanying explanatory material, is submitted to interested legislators herewith.

State Revenue Outlook

The Supreme Court's granting of an indefinite stay of the ICC's June 28 order setting interim TAPS tariffs could cost the state of Alaska about \$42 million in FY 1978, based on current estimates of Prudhoe Bay production and revenues. Since the stay is granted pending the Court's decision on whether or not to review the case, it is conceivable that the higher tariffs allowed by the stay will be imposed for only a very short period--i.e., a month or two. Since the terms of the stay require that the companies maintain detailed accounts of the tariff structure, and that they be prepared to refund the difference between such tariffs and any final tariff, it is possible that the state will avoid any direct revenue loss during FY 1978. On the other hand, the now suspended ICC interim tariff was only to have been in effect thru January, 1978; thus, it is possible that the original company tariffs--or at least higher tariffs--would have soon been reinstated anyway. As a result, we believe that the aggregate effect of tariff adjustments on FY 1978 state revenues will probably be very near our current estimate of \$42 million, regardless of the length of the current stay granted by the Supreme Court.

The Supreme Court decision is the latest in a series of events which have severely eroded prospective state revenues from the Prudhoe Bay field for FY 1978. These events are:

1. The explosion at Pump Station No. 8, which caused a reduction in expected FY 1978 average daily production in the Prudhoe Bay field from a pre-explosion level of 940,000 bbl/d to 720,000 bbl/d. We estimate that this will reduce state revenues by \$118.7 million in this fiscal year.
2. The positions taken by the Prudhoe Bay producers on (1) deductibility of treatment and field processing costs for state royalty calculations, (2) crude oil sales prices, and (3) tanker charges have reduced expected state revenues (pending final adjudication of the issues) by \$41 million in FY 1978.
3. Finally, the aforementioned stay of the ICC interim tariffs will result in about a \$42 million revenue loss during 1978, provided that the stay remains in effect for the remainder of the fiscal year, or that the ICC interim tariff expires as expected in late January 1978.

The individual revenue impact of each of these events, as well as the cumulative effects upon state revenues, is shown in Table I and is compared to the Legislative Affairs Agency's June 1977 revenue forecast, which was made prior to actual Prudhoe Bay production experience.

As can be seen from Table I, we now anticipate that state revenues for FY 1978 will be \$201.6 million lower than was forecast on June 15, 1977. Assuming a 25% contribution to the Permanent Fund, and payment of the 2% of state royalties, bonuses and rents to the Native Land Claims Fund, the state's estimated operating deficit (the excess of estimated general fund charges over receipts) will be \$142.2 million for FY 1978. It should be noted here that the Department of Revenue is currently in the process of developing a revised estimate of all state revenues for FY 1978, including the non-petroleum area. According to our discussions with Revenue personnel, they expect that non-petroleum income to the state may be higher than previously estimated levels published by the Department. If this is indeed the case, the aggregate revenue shortfall experienced by the state would be somewhat less than our current estimate, which is based solely on variations in expected petroleum revenues.

Table II shows the sources of these revenue losses to the state, as compared to original estimates used by the Legislative Affairs Agency in developing its June 15, 1977 forecast of state revenues. It should be noted again that the revenue losses associated with the dispute over field processing and treatment cost deductions against state royalties also include the impact of higher than anticipated tanker charges, and lower than expected sales prices for Alaska crude oil in lower-48 markets. Thus, prices for Alaska oil in the field were about \$0.42 per barrel

lower than expected (combined tanker and lower-48 sales price impacts) *in addition* to the approximately \$0.62 per barrel treatment charges now being deducted against the state royalty share. To this \$1.04 per barrel decrease in expected wellhead value must be added the recent impact of the \$1.35 per barrel increase in tariff charges--for a total of \$2.39 reduction in wellhead value for state royalty calculations since our June estimates were issued.

Severance tax revenues have fallen less severely, since the state is protected to some degree by the floor price (currently \$0.80 per barrel, equivalent to a wellhead price of about \$6.53 per barrel of taxable production). However, the decline in the wellhead value which has triggered the floor price for severance tax purposes has also resulted in the state's payment basis for the Alaska Native Claims Fund to be changed from 2% of royalties, leases and bonuses to \$0.05 per barrel of taxable production--with the result that despite the decline in state revenues due to falling wellhead values, payments to the Native Fund will be up from an estimated level of \$7 million in our June 15, 1976 estimate to \$11.5 million currently.

Recoverability of Revenue Losses

It should be remembered that the state will eventually recoup the production lost due to the Pump Station No. 8 explosion--although it will be recovered many years in the future, as Prudhoe Bay production comes to a close. Hence, on a present value basis (which assumes that revenues deferred are worth less than revenues received currently, since such current revenues could be invested and earn a return over the years) the value of such production is probably very low--meaning, in essence, that the state's revenue loss in the current fiscal year is probably irreversible, even though the oil will eventually be produced and sold. To make up for such losses, oil prices would have to be a great deal higher than they are today--over \$25 per barrel at the wellhead, even if the state uses a very low discount rate of 6% to value its income.

The near-term revenue losses associated with treatment and gathering charges, tanker charges and TAPS tariff disputes could be returned to the state in a much shorter period--provided, of course, that the state prevails in the legal and regulatory disputes over these matters which are now underway. Even under the most optimistic assumptions, however, such repayment of lost revenues may lie one to three years in the future, and could drag on for a longer period. In any event, pressure on the state's immediate revenue situation will not be relieved.

RGH:jm
Attachments

IMPACTS ON STATE REVENUES: FY 1978
(\$ Millions)

Forecast or Revenue Event	North Slope Revenue ¹	Other Petroleum Revenue ²	Other Revenue ³	Total Revenue	Expenditures	Permanent Fund Contribution ⁴	Ending General Fund Balance ⁵
Legislative Affairs Agency Estimate 6-15-77	\$656.2	\$50.8	\$269.0	\$976.1	\$853.8	\$87.2	\$707.0
Legislative Affairs Agency Estimate of Pump Station #8 Impact 7-15-77	\$541.0	\$50.8	\$265.5	\$857.4	\$853.8	\$68.8	\$608.2
Legislative Affairs Agency Estimate of Treatment Costs Impact 9-15-77	\$501.3	\$50.8	\$264.4	\$816.5	\$853.8	\$60.3	\$576.5
Legislative Affairs Agency Estimate of Total FY 1978 Revenues Including Tariff Impact	\$460.5	\$50.8	\$263.1	\$774.5	\$853.8	\$51.4	\$536.7

¹ North Slope revenue is the total of state royalties, severance tax revenues (net of the Early Development Incentive Credit) and Prudhoe Bay related state income taxes. Values for royalties and severance taxes were calculated on the basis of wellhead values contained in Table II. State oil income tax payments were estimated to be \$46 million in the June 15, 1977 estimate, and have been reduced to \$35.2 million in subsequent forecasts. The oil and gas properties tax was estimated to be \$168.3 million in the June 15, 1977 estimate, and was reduced to \$167.3 million in subsequent estimates.

² Other petroleum revenue includes royalty and severance tax income from Cook Inlet production. This estimate remains unchanged from the June 15, 1977 estimate.

³ Other revenues include non-oil tax receipts and interest income. Non-oil tax receipts were assumed to be \$225.8 million in FY 1978 (taken from Department of Revenue estimates). Interest income is calculated assuming a 6% rate of return on average balances.

⁴ The Permanent Fund contribution was set at 25% of state royalties.

⁵ The beginning General Fund balance was assumed to be \$678.9 million. Ending balances are the sum of the beginning balance plus total revenues minus expenditures and Permanent Fund contributions. Also deducted from the Permanent Fund ending balance are payments to the Native Land Claims Fund which are 2% of state royalties, plus \$0.05 per barrel of taxable production if the cents-per-barrel severance tax schedule is in effect (which is the case for the current forecast).

TABLE II

SOURCES OF STATE REVENUE SHORTFALL FY 1978

Forecast or Revenue Event	Average Daily Production (MM/bbl/d)	Los Angeles Price (\$/bbl)	Tanker Costs (\$/bbl)	TAPS Tariff (\$/bbl)	Field Costs (\$/bbl)	Wellhead Value (Royalty)	Wellhead Value (Severance)
Leg. Affairs Agency Forecast 6-15-77	940,000	\$13.75	\$1.50	\$4.90	-0-	\$7.35	\$7.35
Pump Station #8 Explosion (LAA Forecast of 7-15-77) ¹	720,000	\$13.75	\$1.50	\$4.90	-0-	\$7.35	\$7.35
Treatment Costs Dispute (LAA Forecast of 9-15-77) ²	720,000	\$13.41	\$1.58	\$4.90	\$0.62	\$6.31	\$6.93
Tariff Decision by Supreme Court ³	720,000	\$13.41	\$1.58	\$6.25	\$0.62	\$4.96	\$5.58
Composite Effect of Tariff Stay & Treatment Cost Dispute ⁴	720,000	\$13.41	\$1.58	\$6.25	\$0.62	\$5.23	\$5.85

¹ Average daily production estimate from Alyeska Pipeline Company.

² Weighted average wellhead prices, transportation charges, treatment costs and Los Angeles sales prices based on June and July actual charges for three North Slope producers, representing approximately 89% of production.

³ Wellhead values resulting from the tariff decision will be in force for only about eight months of FY 1978.

⁴ Composite wellhead values were calculated assuming \$4.90 tariff for the period July-October, and with a \$6.25 tariff for the period November-June.

Prepared by:
Legislative Affairs Agency
Division of Research
4 November 1977

STATE OF ALASKA
THE LEGISLATURE

LEGISLATIVE AFFAIRS AGENCY

POUCHY - STATE CAPITOL
JUNEAU, ALASKA 99811
907-465-2200

MEMORANDUM

November 9, 1977

SUBJECT: Revised Revenue Forecast

TO: All Interested Legislators

FROM: Richard G. Haggart *RGH*
Research Analyst

This memorandum is a revision and update of our FY 1978 revenue forecast issued November 4, 1977. Since that forecast was issued, two items have occurred which necessitate this revision:

1. As we noted in the November 4 memo, the Department of Revenue has been preparing revised non-petroleum revenue forecasts. The Department has now advised us that their estimate of FY 1978 non-petroleum revenues has been increased approximately 29 percent above previous levels. Since the Legislative Affairs Agency utilizes Department of Revenue data for this category, revision of the November estimate is appropriate.
2. Payments to the Native Land Claims Fund in our November 4 estimate are understated by approximately \$16 million; the state's projected operating deficit and year-end General Fund surplus should be adjusted accordingly by a similar amount.

Table I (attached) summarizes the revised FY 1978 revenue estimates of the Legislative Affairs Agency. It should be noted the major differences between this revised estimate and the November 4 forecast are the following:

1. Estimated non-petroleum revenues, including interest income, total an estimated \$329.4 million instead of 263.1 million. This means state revenues will be up about \$66.3 million from the November 4 forecast. As stated above, these revisions are based on updated Department of Revenue estimates.
2. Likewise, total state revenues are up about \$66.3 million from the November forecast.

3. Payments to the Native Land Claims Fund (which are treated as a charge against the General Fund balance in Table I) are up \$16 million from the November estimate. Similarly, Native Fund payments in the other forecasts (those of June 15, 1977, July 15, 1977 and September 15, 1977) have been revised upward. The net difference between the June 15, 1977 forecast and the current one is a decline in estimated Native Fund payments of \$23 million.

With these revisions, the state's FY 1978 revenue outlook is as follows:

1. Total revenue will be down \$135.3 million from estimated levels in June--reflecting the increases in non-petroleum revenue discussed above, as well as a decline of \$195.7 million in Prudhoe Bay related income.
2. The state's operating deficit will be approximately \$91.9 million in FY 1978, necessitating a General Fund drawdown of similar amounts.

RGH:jm
Attachments

IMPACTS ON STATE REVENUES: FY 1978
(\$ millions)

Forecast or Revenue Event	North Slope Revenue ¹	Other Petroleum Revenue ²	Other Revenue ³	Total Revenue	Expenditures	Permanent Fund Contribution ⁴	Ending General Fund Balance ⁵
Legislative Affairs Agency Estimate 6-15-77	\$656.2	\$50.8	\$269.0	\$976.1	\$853.8	\$87.2	\$663.5
Legislative Affairs Agency Estimate of Pump Station #8 Impact 7-15-77	\$541.0	\$50.8	\$265.5	\$857.4	\$853.8	\$68.8	\$575.5
Legislative Affairs Agency Estimate of Treatment Costs Impact 9-15-77	\$501.3	\$50.8	\$264.4	\$816.5	\$853.8	\$60.3	\$548.2
Legislative Affairs Agency Estimate of Total FY 1978 Revenues Including Tariff Impact	\$460.5	\$50.8	\$329.4	\$840.8	\$853.8	\$51.4	\$586.9

¹ North Slope revenue is the total of state royalties, severance tax revenues (net of the Early Development Incentive Credit) and Prudhoe Bay related state income taxes. Values for royalties and severance taxes were calculated on the basis of wellhead values contained in Table II. State oil income tax payments were estimated to be \$46 million in the June 15, 1977 estimate, and have been reduced to \$35.2 million in subsequent forecasts. The oil and gas properties tax was estimated to be \$168.3 million in the June 15, 1977 estimate, and was reduced to \$167.3 million in subsequent estimates.

² Other petroleum revenue includes royalty and severance tax income from Cook Inlet production. This estimate remains unchanged from the June 15, 1977 estimate.

³ Other revenues include non-oil tax receipts and interest income. Non-oil tax receipts were assumed to be \$290.1 million in FY 1978 (taken from updated Department of Revenue estimates). Interest income is calculated assuming a 6% rate of return on average balances.

⁴ The Permanent Fund contribution was set at 25% of state royalties.

⁵ The beginning General Fund balance was assumed to be \$678.9 million. Ending balances are the sum of the beginning balance plus total revenues minus expenditures and Permanent Fund contributions. Also deducted from the Permanent Fund ending balance are payments to the Native Land Claims Fund which are 2% of the gross value of North Slope production, or not less than \$0.05 per barrel of taxable production if the cents-per-barrel severance tax schedule is in effect. Finally, all General Fund balances have been recast from all previous memos to reflect changes in assumed payments to the Native Claims Fund.

TABLE II

SOURCES OF STATE REVENUE SHORTFALL FY 1978

Forecast or Revenue Event	Average Daily Production (MM/bbl/d)	Los Angeles Price (\$/bbl)	Tanker Costs (\$/bbl)	TAPS Tariff (\$/bbl)	Field Costs (\$/bbl)	Wellhead Value (Royalty)	Wellhead Value (Severance)
Leg. Affairs Agency Forecast 6-15-77	940,000	\$13.75	\$1.50	\$4.90	-0-	\$7.35	\$7.35
Pump Station #8 Explosion (LAA Forecast of 7-15-77) ¹	720,000	\$13.75	\$1.50	\$4.90	-0-	\$7.35	\$7.35
Treatment Costs Dispute (LAA Forecast of 9-15-77) ²	720,000	\$13.41	\$1.58	\$4.90	\$0.62	\$6.31	\$6.93
Tariff Decision by Supreme Court ³	720,000	\$13.41	\$1.58	\$6.25	\$0.62	\$4.96	\$5.58
Composite Effect of Tariff Stay & Treatment Cost Dispute ⁴	720,000	\$13.41	\$1.58	\$6.25	\$0.62	\$5.23	\$5.85

¹ Average daily production estimate from Alyeska Pipeline Company.

² Weighted average wellhead prices, transportation charges, treatment costs and Los Angeles sales prices based on June and July actual charges for three North Slope producers, representing approximately 89% of production.

³ Wellhead values resulting from the tariff decision will be in force for only about eight months of FY 1978.

⁴ Composite wellhead values were calculated assuming \$4.90 tariff for the period July-October, and with a \$6.25 tariff for the period November-June.

Prepared by:
Legislative Affairs Agency
Division of Research
9 November 1977

STATE OF ALASKA

THE LEGISLATURE

BUDGET AND AUDIT COMMITTEE

AUDIT DIVISION
POUCH W—ALASKA OFFICE BUILDINGFINANCE DIVISION
POUCH WF—STATE CAPITOL

JUNEAU 99801

November 15, 1977

MEMORANDUM

TO: Interested Legislators

FROM: Milt Barker *MB*
Fiscal Analyst
Legislative Finance Division

SUBJECT: TAPS Tariffs

Protests of proposed Trans-Alaska Pipeline tariffs averaging \$6.20 per barrel were filed with the ICC by the State, the U.S. Department of Justice's Antitrust Division, the Arctic Slope Regional Corporation, and the ICC's own staff.

After reviewing these protests, as well as the ICC's Order (now overruled by the Supreme Court) suspending the proposed tariffs, I am forwarding sections from the ICC staff protest which seem to provide the most comprehensive discussion of the proposed rates. Section 7 (pages 26-32) covers the rate of return decision, the determination of which will have the largest impact on the tariff.

Also included from the ICC staff report is section 9 (pages 38-40) regarding some possible anti-competitive aspects of the pipeline's operation. Of course, as argued in other protests, a high tariff in and of itself is the greatest threat to future competition for North Slope leases and production.

MBB:pw
Enclosures

Before the
INTERSTATE COMMERCE COMMISSION

Effective Dates:	June 20, 1977	June 20, 1977	June 20, 1977
Tariff References:	BP Pipelines, Inc. ICC Nos. 1&2	Mobil Alaska Pipeline Co., ICC Nos. 1&2	Sohio Pipeline Co. ICC No. 742
Rates per Barrel:	635¢	631¢	616¢
Nature of Proposals:	Initial tariffs on petroleum moving from Prudhoe Bay, Alaska, to Valdez, Alaska.		

Effective Dates:	June 30, 1977	June 30, 1977	July 1, 1977
Tariff References:	Arco Pipe Line Co. ICC No. 1030	Exxon Pipeline Co. ICC Nos. 124 & 125	Amerada Hess Pipe- line Corp., ICC Nos. 1&2
Rates per Barrel:	604¢	627¢	644¢
Nature of Proposals:	Initial tariffs on petroleum moving from Prudhoe Bay, Alaska, to Valdez, Alaska.		

PROTEST AND PETITION
OF THE BUREAU OF INVESTIGATIONS AND ENFORCEMENT
FOR SUSPENSION AND INVESTIGATION

PETER M. SHANNON, JR.
Director

EDWARD D. GREENBERG
Special Counsel for Pipelines

Bureau of Investigations and
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Interstate Commerce Commission
12th and Constitution Avenue, N.W.
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5. Temporary Rates Ranging from \$4.54 to \$5.00 for Individual Carriers are Justified and Should be Permitted on One Day's Notice

In the "Background" section of this Protest, we suggested that consistent with the absence of antitrust immunity, the six tariffs separately present the question of the appropriate interim rates pending the investigation into the cost and valuation of the pipeline. We, therefore, propose to recommend a group of six rates ranging from \$4.54 to \$5 that the Commission should permit to become effective on one day's notice, and to serve as the basis for its investigation into the cost and valuation issues.

Even if the Commission accepts all the carrier's original construction cost figures in this interim period pending the investigation, it should not allow any rates higher than presently needed to cover the reasonably estimated costs plus fair return. Temporary or interim rates as high as we here recommend are likely to be found too high once the Commission has investigated, among other things, the numerous cost overruns. Rates ranging for the individual companies from \$4.54 to \$5, therefore, will necessitate the inclusion of a refund provision in any order authorizing their filing.

There are five basic elements of the pipeline rates that must be considered before the Commission can decide whether to suspend the published rates or any others that may be filed, namely,

- (a) Operating costs.
- (b) Depreciation.
- (c) Removal costs.
- (d) Return on valuation.
- (e) Federal and State income taxes.

Let us then briefly consider each one.

Operating costs. The carriers have proposed operating costs that average 93 cents per barrel. This figure compares to the following projected figures used in other published studies:

Mortada study^{16/} 78¢

Drexel-Burnham^{17/} 51¢

Wainwright^{18/} 73¢

^{16/} "The Determination of Equitable Pricing Levels for North Slope Alaskan Crude Oil" prepared for FEA by Mortada International, Dallas, Texas (November 1, 1976). A copy of Chapter IV of this Study is attached hereto as Appendix E for the information of the Commission. See pp. IV-19 and IV-23 of that Study, which refers to 52¢ for operations and an additional 26¢ for property taxes.

^{17/} "The North Slope: Paradise Lost? An Industry Analysis." Drexel Burnham & Co., Inc., April, 1976, Table II-B for 1978.

^{18/} "Petroleum Industry," Wainwright Securities, Inc., April 1, 1977, Table 10, or 40¢ for operations and 33¢ for property taxes.

The proposed operating costs per barrel assume a throughput of only 1.2 million barrels per day. Most studies we have seen reflect an increase to 1.6 million barrels by about 1980^{19/} Arco advises us that, (1) it uses a 4.3 year average flow for the initial tariff, and (2) it expects to attain 1.6 million barrels per day by mid-1980. For the first 4.3 years, Arco's average flow rate will be about 1.3 million barrels/day. Moreover, the carriers' average figure of 93¢/B requires investigation since it may reflect further cost overrun. For purposes of an interim rate only, we recommend that the Commission use the carriers' proposed figure of 1.2 million B/day, and operating expenses projected by each carrier.

Depreciation^{20/} The carriers propose average depreciation and amortization of 83¢ per barrel based on investment, excluding land, of \$9.280 billion and a service life of 25 years. In later pages, we show that a 25-year life is too conservative, even for interim rates, and that the Commission should use not less than 27.5 years as the projected service life. For a service life of 27.5 years, the annual average depreciation and amortization is 77¢/barrel^{21/} which should then be apportioned to each carrier in accordance with its percentage of ownership.

^{19/}For example, see Mortada study, App. E hereto, at p. IV-20.

^{20/}Including amortization of overhead and capitalized interest during construction at 6 percent.

^{21/} $(\$9.280 \text{ billion} \div 27.5 \text{ years}) \div 438 \text{ million barrels.}$

Removal costs. The carriers report that they commissioned a study of the costs of removing the pipeline and restoring the surface. We have not seen this study, but it nevertheless raises certain conceptual questions that we later discuss. The carriers advise that the study projects a one-time cost, 25 years hence, of \$1.049 billion, which some of them adjust for inflation. If amortized over 25 years, the annual average cost in 1977 dollars becomes 9.6¢ per/barrel. Consistent with our treatment of depreciation expense in this interim period, we recommend the use of a 27.5-year life, and hence amortize the removal costs in current dollars on the basis of 8.7¢/barrel^{22/} which also may be apportioned on the basis of percent ownership.

Return on valuation. The fair return on valuation standard to compensate both the debt and the equity holders in the pipeline carriers is now under review in Ex Parte No. 308 (Sub-No. 1). We recommend that those standards be explored as well in this proceeding in the context of the particular circumstances surrounding the construction of this pipeline.

We will later show that the very high rates exceeding \$6 that are proposed here seem to reflect an irrational allowance of the entire return on valuation as a return solely for the stockholders. Only in this way can we understand the total returns of over \$2 for equity and \$1.59 for interest, which the carriers seem to propose.

^{22/} (\$1.049 billion ÷ 27.5 years) ÷ 438 million barrels.

In the meantime, we recommend that the Commission employ a 10 percent return on valuation as it has historically been computed without prejudice to reconsidering the various elements of value that enter into the rate base computation. We recognize that the Commission has relied in the past on an 8 percent return on valuation for crude oil pipelines^{23/} Use of that standard here, however, would limit the return on equity to less than 6 percent. A return on valuation of 10 percent comports with the results of recent studies we have seen on the TAPS initial tariff rates, as follows.^{24/}

	Tariff Rate (c/B) (1)	Returns for (c/B)			Implied Percent of Valuation (Col.4 ÷ 222)
		Debt (2)	Equity (3)	Total (4)	
Mortada	450	157	72	229	10.3%
Drexel-Burnham	460	149	83	232	10.4
Wainwright	423	160	56	216	9.7

An original cost rate base would amount to about \$9.295 billion, including \$9.28 billion for improvements and \$15 million for land, if we accept for present purposes the entire construction cost without adjustment for cost overruns. The

^{23/} Minnelusa Oil Corp. v. Continental Pipe Line Co.,
258 I.C.C. 41, 53-54 (1944).

^{24/} For references to the sources of these figures, see Appendix A hereto, p. 3.

^{25/} 2,225 c/B based on \$9.747 billion ÷ 438 million B/yr.

valuation becomes \$9.747 billion once reproduction cost and other elements of the valuation are included. Consequently, a 10 percent return is equivalent to an annual cost of 222¢/barrel.^{26/}

Federal and State income taxes. For many years, the Commission has recognized only actual taxes, rather than imputed or "normalized" taxes in its rate cases. In the Williams case,^{27/} it allowed normalized taxes. We recommend that the Commission use normalized taxes on an interim basis until the actual tax rates can be determined. The Commission should expressly recognize that such taxes will not be paid at least in the foreseeable future. They, therefore, provide a substantial cushion in the interim rates that in themselves warrant the addition of a refund provision in the order.

"Normalized" taxes here refer to the statutory Federal rates of 48 percent and the State of Alaska rate of about 9.4 percent. Since the State tax is deductible for Federal purposes, the effective overall income tax rate on a normalized

^{26/} (\$9.747 billion x 10%) ÷ 438 million barrels. We do not mean to suggest that reproduction cost will increase the valuation once the original cost investigation has been concluded, or that the concept of reproduction cost will ultimately have any application here.

^{27/} Petroleum Products, Williams Brothers Pipe Line Co., Docket No. 35533, decided by the entire Commission on reconsideration December 3, 1976.

basis is 52.9 percent. The normalized tax computation follows:

1. Return on valuation	222¢/B
2. Less deductible interest	<u>159</u>
3. Return for equity after taxes	63
4. Equivalent percent (100% - 52.9%)	47.1%
5. Return for equity before taxes (line 3 ÷ line 4)	133.8¢/B
6. Income taxes (line 5 - line 3)	70.8¢/B

Summary. Based on the foregoing, the average interim rate becomes \$4.72 based on the following average costs:

Operating costs	93¢/B
Depreciation	77
Removal costs	9
Return on valuation	222
Income taxes	<u>71</u>
Avg. interim rate	432¢/B

The carriers have reported to the Bureau of Accounts that their interest costs in 1978 will be \$695 million (see App. A hereto), or less than 159¢/B, leaving 63¢/B for equity. Since equity comprises less than 15 percent of capitalization, the equity component is about 318¢/B,^{28/} and the return for equity under the recommended interim rate will average a generous 20 percent after taxes.^{29/}

^{28/} (15% x \$9.295 billion) ÷ 438 barrels = 318¢/B.

^{29/} 63¢ ÷ 318¢ = 19.81%. The carriers' average cost of debt is 8.8 percent (i.e., \$695 million ÷ (85% x \$9.295 billion)).

On the other hand, as we explained earlier, we do not recommend that the Commission employ an average interim rate. The maximum interim rates justified for the individual carriers are shown below:

<u>Carrier</u>	<u>Percent Ownership</u> (1)	<u>Total Costs & Return</u> ^{30/} (2)	<u>Max. Interim Rate (¢/B)</u> (col. 2 ÷ col. 1) ÷ 438 mill.
Sohio	33.34%	\$662.5	454
ARCO	21.00	446.3	485
Exxon	20.00	438.2	500
BP	15.84	318.5	459
Mobil	5.00	105.2	480
Union	1.66	36.3	499
Phillips	1.66	35.3	486
AmHess	<u>1.50</u>	<u>30.2</u>	<u>460</u>
Totals	100.00%	\$2,072.5	473 ^{31/}

Consequently, interim rates of \$4.54 to \$5.00 protect the carriers, prevents exorbitant returns in an interim period, and, when combined with a reasonable refund provision, also protects the shippers and other interests affected by the rates.

^{30/} Appendix A, p. 1. Figures are in millions of dollars.

^{31/} Differs from \$4.72 due to rounding.

6. Proposed Rates Exceeding \$6.00
Should Be Suspended, Since the
Carriers Greatly Overstate Costs

a. Carriers Overstate Depreciation

The carriers use a 25-year life to amortize the construction costs and capitalized interest associated with TAPS. For the original cost of \$9.2 billion, including capitalized interest of \$1.3 billion, the carriers project average depreciation and amortization expense of 84 cents per barrel.^{32/} Since the carriers have understated the life of the pipeline by failing to use at least a 27.5-year life, they have overstated this expense.

In the FPC Recommendation of May 1, 1977, that commission found, as follows (at p. III-19):

Natural recovery mechanisms (without the injection of produced water) should result in recovery of from 32% to 35% of the original oil in place (OOIP). This oil recovery should be achieved over a period of 25 to 30 years.
(emphasis added)

The FPC relied on, among others the Van Poolin study (see Appendix B hereto) which describes a similar range.

One of the basic studies of oil and gas production presented on that record was Exhibit EP-53, a three-dimensional computer model, sponsored by El Paso Alaska Company. That study

^{32/} (\$9.2 billion ÷ 25 years) ÷ 438 million barrels per year. The latter figure assumes an average flow-rate of 1.2 million barrels per day.

as described by the administrative law judge, estimated deliverability of oil from the main area over a period of 28 years.^{33/}

The range of 25 to 30 years also corresponds to the so-called "Mortada Study" prepared for the Federal Energy Administration in 1976. In that study, FEA's consultant assumed 26.5 years for the life of TAPS for tariff computation.^{34/}

Other studies have relied on much longer periods of life for TAPS. For example, in a financial study of TAPS by Wainwright Securities, Inc.^{35/} earlier this year, the operating life of 35 years was used (at p. 40) to compute a tariff rate of \$4.23 and TAPS' potential earnings. None of these studies increase service life to account for production in fields adjacent to the main one for the purposes of the tariff computations.

The carriers, therefore, have chosen the lowest pipeline service life over which to depreciate and amortize costs. We believe the mid-figure (i.e. 27.5 years) of the conservative range found by the FPC is more reasonable for purposes of the present initial rates than the low end chosen by the carriers. There are definite indications that such mid-figure is a minimum figure; and that following investigation, a longer life will be shown for TAPS.

^{33/} See Initial Decision in El Paso Alaska Company, Docket No. CP 75-96, Feb. 1, 1977, p. 29.

^{34/} Appendix E hereto, p. IV-19. The FPC also relied on this study. See Recommendation, p. III-B-1.

^{35/} Wainwright study, supra, at p. 40.

b. Carriers Overstate Removal & Restoration Costs

The same problem of useful life inheres in the carriers' proposed annual accrual to cover the projected one-time cost of at least \$1.049 billion to remove the pipeline and related facilities and to restore the surface to its former state at the end of the service life of the pipeline, or what has also been termed TAPS' "negative salvage value." Assuming a 25-year life, the carriers seek to recover the one-time future expense over a period of 25 years, and hence seek to charge the shippers at least \$41.96 million per year or 9.6 cents per barrel per year.

On the other hand, the carriers differ among themselves over how much should be amortized with at least one carrier claiming total removal and restoration costs, including 25 years of compounded inflation, of over \$4 billion. The differing estimates submitted by the carriers are set forth below:

	(\$ Millions) Annual Amount of Removal Costs Reported to Bur. of Accts.	Percent of Total	Total Cost Assumed by Carrier (Col. 1 - Col. 2) x 25 Years
Amerada Hess	\$.629	1.50%	\$ 1,048
Phillips	.6965	1.66	1,049
Sohio	14.0	33.34	1,050
Union Alaska	.697	1.66	1,050
BP	7.178	15.84	1,133
Arco	13.2	21.00	1,571
Exxon	16.4	20.00	2,050
Mobil	8.513	5.00	4,257

At the outset, we have doubts that all these monies will be used even in 1977 dollars, or that it is fair to begin collecting such sums so early. Under the Agreement and Grant of Right-of-Way between the Department of the Interior and the carriers of January 23, 1974, the carriers are obligated to rehabilitate property or a natural resource that has been "seriously damaged or destroyed" (para. 13A), which is yet to be defined. The carriers are not obligated even on termination to rehabilitate any area affected by an act of war or negligence or willful misconduct of others using the property (Id.).

The qualifications to the carriers' alleged liability to rehabilitate must obviously be taken into account in an investigation before shippers are required to provide full indemnity, and allowance must be made by the Commission for these important factors. In such matters, it would not be consistent with shipper interests to resolve all doubts in favor of higher tariff rates.^{36/} The interim rates in the meantime should reflect no greater amortization than the \$1.049 billion over 27.5 years.

^{36/} See Bebchick v. Public Utilities Commission, 318 F.2d 187, 192-94 (D.C. Cir. 1963), cert. denied, 373 U.S. 913, involving a track removal and repaving obligation of a bus company.

7. Proposed Rates Exceeding \$6.00
Should Be Suspended Since the
Carriers Overstate Their Revenue
Need

We have reproduced in Appendix A, p.2, hereto the expense figures supplied to us by each of the pipeline carriers. We have not received actual costs of equity figures. Nevertheless, we are convinced that in no case would the total expense column, including return, reach the over six-dollar tariff rates that are the subject of this protest.

We must surmise how the carriers reach such high tariff rates. We need not look long, however, for it seems the parent companies have represented to the FPC that this Commission will allow the carriers' equity holders to retain the entire return on valuation, and that interest expense must be accounted for separately as an "operating expense."

For example, the parent companies of these carriers represented to the FPC in the recently concluded gas pipeline case that the ICC would generously allow them 30 percent returns on equity, as follows:^{37/}

The only comparable project of the size and complexity discussed herein that has received private financing is the Alyeska oil pipeline. If that line receives the usual ICC treatment

^{37/} FPC Recommendation, supra, at p. XII-45. The FPC allowed 18% on equity, after taxes, which it reduced to 11% if cost overruns should become excessive.

of allowing a 7-8 percent rate of return after taxes and interest on ICC valuation (i.e. total assets), and a 75/25 debt to equity ratio is assumed, the after-tax return on equity would be in the 28-32 percent range. (emphasis theirs).

The FPC refused to accept such an expectation as any reasonable estimate of the cost to attract capital to the pipeline industry:^{38/}

Since, however, the major consideration of the oil producers, who were the ones to finance the oil pipeline, was to get the oil to market, it is difficult to draw any conclusions regarding the rate of return on their pipeline investment they "required" in order to finance it.

The FPC considered instead the actual profitability and financial structure of the integrated petroleum companies. It found that in the 1966-1975 period on average the companies earned 11.8 percent after-tax on equity, and during the three-year period 1973-1975, earned an average after-tax return on equity of about 14.8 percent.^{39/}

Aside from a bare table of figures in the recent Williams Brothers case, ^{40/} where the matter was not discussed, we fail to find any other reported pipeline rate case that awards the entire return on valuation to the equity holders of the pipeline. On the contrary, we find indications that "the usual ICC treatment" of this matter is to allow the return on valuation

^{38/} Id.

^{39/} Id. We have attached as Appendix F hereto the Chase Manhattan Bank financial statistics for the group of 28 petroleum companies on which the FPC relied (i.e. App. XII-A of the Recommendation).

^{40/} Docket No. 35533, Petroleum Products, Williams Brothers Pipe Line Company, supra, esp. at p. 16.

to cover the pipeline's total cost of capital, that is, both long-term interest and all payments to stockholders.

For example, in Reduced Pipe Line Rates and Gathering Charges, 243 I.C.C. 115 (1940), the Commission on its own motion entered into a general investigation in 1934, which, as subsequently broadened, included all the rates, rules and practices of 37 carriers by pipe line. The Commission served the respondents with a questionnaire requiring the submission of financial, property and rate data for a 5-year period; later years were added in the reopened proceeding.

For the year 1935, the last full year for which the Commission had data, it computed the excess earnings of the carriers over an 8 percent return on value in a seven-column appendix (at p. 148). The columns were headed as follows:

1. Transportation revenue
2. Transportation expense including depreciation and taxes.
3. Earnings or excess of revenue over expense.
4. Value of property used.
5. Return on value.
6. Earnings needed to return 8 percent on value.
7. Excess actual earnings over 8 percent return.

It is significant here that "transportation expense" (col. 2)

excluded interest, which was to be covered by "earnings or excess of revenue over expense" (col. 3) and hence by the return on value (col. 5). To show that this was in fact the Commission's method of calculation, we have recomputed the "transportation expense" figures in the Reduced Rates table for 5 carriers from reported figures for 1935 that are known to exclude interest.^{41/} They equal the expense figures that the Commission relied on in Appendix D.

Pipeline Co. (1)	Interest on long-term debt (2)	Transp. Expense ^{42/} (excluding interest)			Transp. Exp. in App. D (6)
		Operating	Taxes	Total	
	(2)	(3)	(4)	(5)	(6)
Arkansas Pipe Line Co.	24	219	120	339	339
Gulf Pipe Line Co. of Pa.	133	971	760	1,731	1,731
Pure Transportation Co.	1,086	1,443	621	2,064	2,064
Shell Pipe Line Corp.	1,208	7,157	1,876	9,003	9,034
Tide-Water Pipe	10	486	181	667	667

Accordingly, the long-standing practice of the Commission in fact has been to include interest as an element of the return on valuation for pipelines.

It cannot logically be otherwise. The rate base includes the entire investment in used and useful property; and the rate of return is developed from the costs of the entire capital devoted to the enterprise. The "capital costs of the business...

^{41/} See Transport Statistics, 1935, p. S-161. The figures for three other carriers are impossible to reconcile with the Appendix D data; the figures of at best one other carrier include interest.

^{42/} Id.

include service on the debt and dividends on the stock."^{43/}

As Prof. Westmeyer has succinctly stated:^{44/}

In other words, a fair return must be sufficient to enable the railroad industry /or other mode of carriers/ to maintain its credit by making regular payments at acceptable rates of interest on its fixed obligations, and if there is any expectation of financing improvements by the sale of stock, an acceptable rate of dividends must be paid as well.

It appears that TAPS will be capitalized with about 15 percent equity and 85 percent debt. Since a 10 percent return on valuation is equivalent to 222¢/B, and 15 percent of the original cost is equivalent to 318¢/B,^{45/} the allowance of the entire return on valuation to the stockholders means an effective return on equity of 70 percent.^{46/}

It is true that in 1941 most of the owning companies signed a consent decree with the Department of Justice placing a restriction on dividends of 7 percent of valuation.^{47/} In 1957 the Department of Justice brought a suit contending that the carriers' payment of 7 percent of valuation to their stockholders did not result in a "fair" dividend. The Supreme Court held that, nevertheless, the parties to the decree

^{43/} Federal Power Commission v. Hope Natural Gas Co., 320 U.S. 591, 603 (1944).

^{44/} Westmeyer, Russell E., Economics of Transportation, Prentice-Hall, Inc., p. 208 (1956).

^{45/} $(15\% \times 9.295 \text{ billion}) \div 438 \text{ million B/yr.}$

^{46/} $222\text{¢} \div 318\text{¢} = 69.8\%$

^{47/} United States v. Atlantic Refining Co., C.A. No. 14060, D.D.C. decided December 23, 1941.

had so agreed, and the Court could not read the decree differently,^{48/}

simply because another reading might seem more consistent with the Government's reason for entering into the agreement in the first place.

As we next show, (1) the dividend restriction was worded the way it was apparently because the pipeline industry in 1940 had virtually no long term debt, and (2) that with so much debt capital having replaced the equity capital of the carriers, a dividend restriction now provides no standard for a fair return.

In Appendix G hereto we have reproduced Table 6 from the Verified Statement of David L. Jones, an economist and witness for this Bureau in Ex Parte No. 308, Valuation of Common Carrier Pipelines. The last column of that table shows that in 1940, the funded debt of the oil pipeline industry was merely 10 percent of total capitalization. Consequently, in 1941, the Department no doubt believed that in those circumstances a dividend restriction of 7 percent of valuation provided an effective limitation on both earnings and payout, although worded only in the form of a restriction on payout. It apparently took the industry about five years to discover that a higher debt/equity ratio would permit their lawfully circumventing the decree.

^{48/} United States v. Atlantic Refining Co., 360 U.S. 19, 24 (1959).

Appendix G shows that by the mid-forties the industry began to shift from a low debt/equity ratio to a high one. In this way, the oil companies could reduce equity investment and convert an overall 7 percent return, that resulted from the payout restriction, to a much higher return on equity.

For example, let us assume that in 1940 the valuation was equal to capitalization. The changes that occurred in the debt/equity ratio over the years produced the following increases in the return on equity in the absence of any effective protests or complaints before this Commission:

<u>Year</u>	<u>Capitalization</u>		<u>Effective Return on Equity at 7% of Valuation</u>
	<u>Percent Debt</u>	<u>Percent Equity</u>	
1940	10%	90%	7.7%
1950	64	36	19.4
1960	73	27	25.9
1970	82	18	38.9
1975	93	7	100.0

The consent decree has been treated as purely a dividend restriction by the pipeline companies, and exploited to produce large returns on equity. The consent decree payout limitation is clearly no standard for just and reasonable earnings on equity, and should not be followed by this Commission in this proceeding.

The Commission should not accept, even on a temporary basis, rates like those proposed in the subject tariffs that are premised on granting the entire return on valuation to the carriers' equity holders.

9. Rules and Regulations in the
Proposed Tariff May Be
Unreasonable and Anti-Competitive

Several of the rules and regulations in the proposed tariffs may violate prior holdings of this Commission, or are otherwise unlawful, and should be investigated.

Minimum Tender. The BP tariff requires the tender of at least 30,000 barrels over a thirty-day period from one shipper consigned to one consignee and one destination (Rule 6). The Amerada Hess tariff requires a minimum tender of 5,000 barrels (Rule 4); and the Sohio tariff, 10,000 barrels (Rule 25). The minimum of 10,000 barrels may be met by two or more shippers to a common consignee under the Mobil Alaska tariff (Rule 19).

In Reduced Pipe Line Rates and Gathering Charges, 243 I.C.C. 115, 136 (1940), the entire Commission found that a 10,000-barrel lot is as large as it could find reasonable to serve as a minimum tender, and that any higher minimum would be unreasonable.^{56/} The Commission noted that the large refiners can meet a large minimum-tender requirement "without difficulty" (Id.); but smaller refiners could have difficulty.^{57/}

^{56/} Cf. Restrictions on Service by Motor Common Carriers, 126 M.C.C. 303, 324-25 (1977), proscribing unreasonable minimum weight requirements.

^{57/} The decision on this point was later affirmed on further hearing (272 I.C.C. 375, 382-83 (1948)).

Minimum Delivery. Unlike the other pipelines, the ARCO tariff (ICC No. 1030) provides: "Carrier will not make a delivery of less than 100,000 Barrels of Petroleum at destination point on its Pipeline except when necessitated by dispatching contingencies." The provision excludes using a smaller vessel, if the larger one is unavailable. The Commission in the Reduced Rates case characterized a similar rule as just another form of minimum shipment (272 I.C.C. at 382).

Carriers' Liability. All the carriers proposed rules limiting their liability for, among other things, loss of petroleum and failure to receive or deliver petroleum.^{58/} These provisions seem inconsistent with the requirements of Section 20(11) of the Act, 49 U.S.C. §20(11), rendering a common carrier liable for full actual loss, damage or injury and declaring any limitation of liability "unlawful and void."

Penalty Provisions. Rule 45 of Sohio's ICC No. 742, provides a series of penalties for the shipper's violation of the carrier's rules for efficient scheduling and use of the Valdez Terminal. For example, in paragraph (E), the rule imposes a 20-cent per barrel penalty on those barrels

^{58/} Amerada-Hess, ICC No. 2, Rules 15-17; BP's ICC No. 1, Rules 16-18; ARCO's ICC No. 1030, Rules 14-15; Sohio's ICC No. 742, Rules 60, 65 and 70; Mobil Alaska's ICC No. 1, Rules 11-13.

"by which Carrier's Working Inventory exceeds the Carrier's Working Capacity." Then in paragraphs (G) and (H) 5-cent penalties are provided. The others have similar provisions.^{59/}

Demurrage. BP's ICC No. 1, Item 11, provides for heavy demurrage charges (\$2,000 per hour) for vessels operating at Valdez; the same provision is found in Amerada Hess' ICC No. 2, Item 8.

These rules and others should be included in the investigation order.

STATE OF ALASKA
THE LEGISLATURE

LEGISLATIVE AFFAIRS AGENCY


FOUCHY - STATE CAPITOL
BUREAU, ALASKA 99511
907-465 3430

MEMORANDUM

November 17, 1977

SUBJECT: State Revenue Outlook Through 1985

TO: The Honorable Clark Gruening, Chairman
House Permanent Fund Committee

FROM: Richard G. Haggart 
Research Analyst

This memorandum is in response to your request that we prepare an analysis of potential state revenues, and associated Permanent Fund and Renewable Resources Fund balances, through 1985. The key assumptions involved in the development of these revenue scenarios are set forth below.

As you requested, we have divided the revenue outlook into three cases-- a "worst" case, a "median" case and a "best" case. For each of these cases we have calculated fund balances and expenditures based on 25%, 30% and 50% contributions to the Permanent Fund. In all cases, Renewable Resource Fund contributions total 5% annually beginning in 1979. And, as you requested, each Permanent Fund contribution level within each case study has been calculated twice--once assuming that earnings from the Permanent Fund are placed in the General Fund and may be spent, and once assuming that 50% of Permanent Fund earnings are reinvested in the Permanent Fund.

The following system was used in assigning names to the above variables contained in the cases:

1. All Case I tables are "worst" case assumptions.
2. All Case II tables are "median" case assumptions.
3. All Case III tables are "best" case assumptions.
4. All Cases lettered A, B, and C assume that Permanent Fund earnings are returned to the General Fund and are available for expenditure. Thus, Case I-A is a "worst" case analysis, which assumes Permanent Fund earnings are returned to the General Fund.

5. All Cases lettered D, E and F assume that 50% of Permanent Fund income is reinvested in the Permanent Fund each year. The remaining 50% is available for General Fund expenditures. Thus, Case I-D is a "worst" case analysis, which assumes 50% reinvestment of Permanent Fund income back into the Fund.
6. Finally, all cases (IA-IIIF) have Permanent Fund contribution levels calculated at 25%, 30% and 50% for each separate case.

Case I-A Through I-F: Assumptions

Basic assumptions utilized in developing the "worst case" scenarios were:

1. Wellhead values increasing 2.5% annually.
2. Expenditures increasing at a 15% annual rate, unless constrained by insufficient revenues or General Fund balances to finance such growth. (The minimum allowable General Fund balance is assumed to be \$100 million.)
3. Current tariff levels of about \$6.25/bbl are assumed to stay in effect through 1985.
4. The State is assumed to lose the present dispute over deduction of treatment costs for royalty calculations.
5. The "floor" price for calculating state severance taxes is assumed to remain at the present level of \$0.80 per barrel (equivalent to a wellhead value of about \$6.53/bbl).

With some exceptions, other variables used in calculating these revenue scenarios remain the same as those used in our estimates of June 15, 1977. We are currently preparing detailed background material on this series of estimates, which will outline the specific assumptions used in all cases.

Cases II-A Through II-F: Assumptions

Basic assumptions used in developing the "median" case scenarios were:

1. The State was assumed to be successful in its suit to halt deduction of field treatment costs on royalty oil.
2. It was assumed that the tariff dispute was resolved by "splitting the difference" between the I.C.C. interim tariff of \$4.90 per barrel and the company tariff of \$6.25 per barrel.
3. With the above additions to wellhead value, 1979 and subsequent years' oil prices were increased 3.75% annually.

4. The floor price for state severance tax calculations was assumed to remain at its present level.
5. State expenditures were escalated at 10% annually, unless constrained by insufficient revenues or General Fund balances. As in Case I, the minimum allowable General Fund balance was assumed to be \$100 million.

As with Case I, most other assumptions used in Case II were the same as those contained in our revenue estimates of June 15, 1977. Similarly, more detailed information on the specific assumptions is being prepared.

Cases III-A Through III-F: Assumptions

Basic assumptions used in developing the "best" case scenarios were:

1. The State was assumed to prevail in both the treatment costs dispute and the tariff dispute--increasing 1979 wellhead values approximately \$1.97 per barrel over current levels. Oil prices, generally, were escalated 5% annually.
2. Expenditures were assumed to increase 7.5% annually.
3. The floor price for severance tax calculations was assumed to remain at its present level.

Finally, as with previous cases, most other Case III assumptions were the same as those contained in our revenue projections of June 15, 1977, and differences are presently being documented.

Native Fund Payments and Permanent Fund Earnings

Two important points should be noted when reviewing the materials contained in Tables IA - IIIF, which will serve to avoid possible confusion:

1. Payments to the Native Fund are automatically deducted from each year's General Fund balance by the Agency's revenue estimating model--however, they do not appear directly in the projections. For the Case I scenarios, cumulative Native Fund payments through 1985 total about \$439.9 million. For the Case II scenarios, the full liability of approximately \$500 million is discharged in FY 1985. And, in Case III, the full amount payable to the Fund is paid in by FY 1983.
2. In all cases lettered D, E and F, 50% of Permanent Fund earnings are assumed to be reinvested back into the Fund itself. Hence, each year's Permanent Fund balance includes not only the previous year's carry forward and the yearly contribution,

but earnings on these amounts, as well. As with other areas of the estimates, state balances are assumed to earn a return of 7% annually.

RGH:jm
Enclosures

STATE FINANCIAL AND OPERATING OUTLOOK, 1978 - 1985 @ 25% PERMANENT FUND
(Figures in \$ Millions)

F/Y	North Slope Revenue	Other Petroleum Revenue	Other Income	Total Revenue	Expenditures	Permanent Fund Contribution	Permanent Fund Balance	RRD Fund Contribution	RRD Fund Balance	General Fund Balance
1978	\$ 460.6	\$ 50.8	\$ 336.0	\$ 847.4	\$ 853.8	\$ 51.4	\$ 53.8	\$ 0.0	\$ 0.0	\$ 593.5
1979	678.7	47.4	357.2	1,083.3	981.9	83.4	137.2	16.7	16.7	546.6
1980	783.3	44.5	390.7	1,218.5	1,129.2	96.8	234.0	19.4	36.0	462.7
1981	841.9	42.0	396.8	1,280.7	1,298.6	98.8	332.8	19.8	55.8	267.9
1982	1,041.6	39.2	373.8	1,454.7	1,441.7	100.7	433.5	20.1	75.9	100.0
1983	1,058.2	44.0	378.8	1,480.9	1,294.9	103.9	537.4	20.8	96.7	100.0
1984	1,073.2	46.6	407.6	1,527.4	1,336.3	106.7	644.1	21.3	118.1	100.0
1985	1,123.8	44.9	442.4	1,611.1	1,415.8	109.0	753.2	21.8	139.9	100.0
TOTAL	\$7,061.2	\$ 359.5	\$3,083.2	\$10,504.0	\$9,752.2	N/A	\$ 753.2	N/A	\$ 139.9	\$ 100.0

Case I-A: Low Income, High Expenditure Model (All Permanent Fund Income Allocated to General Fund Revenue)

Prepared by:
Legislative Affairs Agency
Research Division
16 November 1977

STATE FINANCIAL AND OPERATING OUTLOOK, 1978 - 1985 @ 30% PERMANENT FUND
(Figures in \$ Millions)

F/Y	North Slope Revenue	Other Petroleum Revenue	Other Income	Total Revenue	Expenditures	Permanent Fund Contribution	Permanent Fund Balance	RRD Fund Contribution	RRD Fund Balance	General Fund Balance
1978	\$460.6	\$50.8	\$336.0	\$847.4	\$853.8	\$61.7	\$64.1	\$0.0	\$0.0	\$583.3
1979	678.7	47.4	357.2	1,083.3	981.9	100.1	164.2	16.7	16.7	519.7
1980	783.3	44.5	390.7	1,218.5	1,129.2	116.2	280.4	19.4	36.0	416.5
1981	841.9	42.0	396.8	1,280.7	1,298.6	118.5	398.9	19.8	55.8	201.9
1982	1,041.6	39.2	376.8	1,457.7	1,358.6	120.9	519.8	20.1	75.9	100.0
1983	1,058.2	44.0	385.5	1,487.7	1,280.9	124.6	644.4	20.8	96.7	100.0
1984	1,073.2	46.6	415.8	1,535.6	1,323.2	128.1	772.5	21.3	118.1	100.0
1985	1,123.8	44.9	452.2	1,620.9	1,403.7	130.8	903.3	21.8	139.9	100.0
TOTAL	\$7,061.2	\$359.5	\$3,111.0	\$10,531.8	\$9,629.9	NOT APPL.	\$903.3	NOT APPL.	\$139.9	\$100.0

CASE I-B: Low Income High Expenditure Model (All Permanent Fund Income Allocated to General Fund Revenue)

Prepared by:
Legislative Affairs Agency
Research Division
16 November 1977

STATE FINANCIAL AND OPERATING OUTLOOK, 1978 - 1985 @ 50% PERMANENT FUND
(Figures in \$ Millions)

F/Y	North Slope Revenue	Other Petroleum Revenue	Other Income	Total Revenue	Expenditures	Permanent Fund Contribution	Permanent Fund Balance	RRD Fund Contribution	RRD Fund Balance	General Fund Balance
1978	\$ 460.6	\$ 50.8	\$ 336.0	\$ 847.4	\$ 853.8	\$ 102.9	\$ 105.3	\$ 0.0	\$ 0.0	\$ 542.1
1979	678.7	47.4	357.2	1,083.3	981.9	166.8	272.1	16.7	16.7	411.8
1980	783.3	44.5	390.7	1,218.5	1,129.2	193.6	465.7	19.4	36.0	231.1
1981	841.9	42.0	401.4	1,285.3	1,140.7	197.5	663.2	19.8	55.8	100.0
1982	1,041.6	39.2	394.6	1,475.5	1,193.9	201.5	864.7	20.1	75.9	100.0
1983	1,058.2	44.0	412.6	1,514.8	1,224.9	207.7	1,072.5	20.8	96.7	100.0
1984	1,073.2	46.6	448.7	1,568.6	1,270.8	213.5	1,286.0	21.3	118.1	100.0
1985	1,123.8	44.9	491.1	1,659.9	1,355.5	218.1	1,504.0	21.8	139.9	100.0
TOTAL	\$7,061.2	\$ 359.5	\$3,232.4	\$10,653.1	\$9,150.7	N/A	\$1,504.0	N/A	\$ 139.9	\$ 100.0

Case I-C: Low Income, High Expenditure Model (All Permanent Fund Income Allocated to General Fund Revenue)

Prepared by:
Legislative Affairs Agency
Research Division
16 November 1977

STATE FINANCIAL AND OPERATING OUTLOOK, 1978 - 1985 @ 25% PERMANENT FUND
(Figures in \$ Millions)

F/Y	North Slope Revenue	Other Petroleum Revenue	Other Income	Total Revenue	Expenditures	Permanent Fund Contribution	Permanent Fund Balance	RRD Fund Contribution	RRD Fund Balance	General Fund Balance
1978	\$ 460.6	\$ 50.8	\$ 335.9	\$ 847.3	\$ 853.8	\$ 51.4	\$ 53.9	\$ 0.0	\$ 0.0	\$ 593.5
1979	678.7	47.4	355.3	1,081.4	981.9	83.4	139.1	16.7	16.7	544.7
1980	783.3	44.5	385.8	1,213.6	1,129.2	96.8	240.8	19.4	36.0	456.0
1981	841.9	42.0	388.4	1,272.3	1,298.6	98.8	348.0	19.8	55.8	252.7
1982	1,041.6	39.2	362.6	1,443.4	1,415.3	100.7	460.9	20.1	75.9	100.0
1983	1,058.2	44.0	365.1	1,467.3	1,281.3	103.9	580.9	20.8	96.7	100.0
1984	1,073.2	46.6	391.0	1,510.8	1,319.8	106.7	707.9	21.3	118.1	100.0
1985	1,123.8	44.9	423.0	1,591.7	1,396.3	109.0	841.8	21.8	139.9	100.0
TOTAL	\$7,061.2	\$ 359.5	\$3,007.1	\$10,427.8	\$9,676.1	N/A	\$ 841.8	N/A	\$ 139.9	\$ 100.0

Case I-D: Low Income, High Expenditure Model (50% of Permanent Fund Income Reinvested in Permanent Fund)

Prepared by:
Legislative Affairs Agency
Research Division
16 November 1977

STATE FINANCIAL AND OPERATING OUTLOOK, 1978 - 1985 @ 30% PERMANENT FUND
(Figures in \$ Millions)

F/Y	North Slope Revenue	Other Petroleum Revenue	Other Income	Total Revenue	Expenditures	Permanent Fund Contribution	Permanent Fund Balance	RRD Fund Contribution	RRD Fund Balance	General Fund Balance
1978	\$ 460.6	\$ 50.8	\$ 335.9	\$ 847.3	\$ 853.8	\$ 61.7	\$ 64.2	\$ 0.0	\$ 0.0	\$ 583.2
1979	678.7	47.4	355.0	1,081.1	981.9	100.1	166.5	16.7	16.7	517.4
1980	783.3	44.5	384.8	1,212.7	1,129.2	116.2	288.5	19.4	36.0	403.3
1981	841.9	42.0	386.7	1,270.6	1,298.6	118.5	417.1	19.8	55.8	183.6
1982	1,041.6	39.2	363.4	1,444.2	1,326.9	120.9	552.6	20.1	75.9	100.0
1983	1,058.2	44.0	369.2	1,471.3	1,264.5	124.6	696.6	20.8	96.7	100.0
1984	1,073.2	46.6	395.9	1,515.7	1,303.4	128.1	849.1	21.3	118.1	100.0
1985	1,123.8	44.9	428.8	1,597.5	1,380.4	130.8	1,009.7	21.8	139.9	100.0
TOTAL	\$7,061.2	\$ 359.5	\$3,019.7	\$10,440.4	\$9,538.7	N/A	\$1,009.7	N/A	\$ 139.9	\$ 100.0

Case I-E: Low Income, High Expenditure Model (50% of Permanent Fund Income Reinvested in Permanent Fund)

Prepared by:
Legislative Affairs Agency
Research Division
16 November 1977

STATE FINANCIAL AND OPERATING OUTLOOK, 1978 - 1985 @ 50% PERMANENT FUND
(Figures in \$ Millions)

F/Y	North Slope Revenue	Other Petroleum Revenue	Other Income	Total Revenue	Expenditures	Permanent Fund Contribution	Permanent Fund Balance	RRD Fund Contribution	RRD Fund Balance	General Fund Balance
1978	\$ 460.6	\$ 50.8	\$ 335.9	\$ 847.3	\$ 853.8	\$ 102.9	\$ 105.4	\$ 0.0	\$ 0.0	\$ 542.0
1979	678.7	47.4	353.5	1,079.6	981.9	166.8	275.9	16.7	16.7	408.0
1980	783.3	44.5	381.0	1,208.8	1,129.2	193.6	479.2	19.4	36.0	217.7
1981	841.9	42.0	385.7	1,269.6	1,111.5	197.5	693.5	19.8	55.8	100.0
1982	1,041.6	39.2	373.3	1,454.1	1,172.6	201.5	919.2	20.1	75.9	100.0
1983	1,058.2	44.0	385.4	1,487.5	1,197.6	207.7	1,159.1	20.8	96.7	100.0
1984	1,073.2	46.6	415.7	1,535.5	1,237.7	213.5	1,413.2	21.3	118.1	100.0
1985	1,123.8	44.9	452.3	1,621.0	1,316.6	218.1	1,680.7	21.8	139.9	100.0
TOTAL	\$7,061.2	\$ 359.5	\$3,082.8	\$10,503.5	\$9,001.0	N/A	\$1,680.7	N/A	\$ 139.9	\$ 100.0

Case I-F: Low Income, High Expenditure Model (50% of Permanent Fund Income Reinvested in Permanent Fund)

Prepared by:
Legislative Affairs Agency
Research Division
16 November 1977