HOUSE/SENATE FINANCE COMMITTEE MINUTES - 1967-1982 2698

"Mexican oil will almost certainly displace a large amount of Persian Gulf oil and could displace some Alaskan oil on both the Gulf and Pacific Coasts of the United States," the CRS report said. "This could present a serious problem to Alaskan North Slope producers who have no export option and who need substantial sales in both markets in order to maintain production and pipeline throughput levels. Faced with large sunk costs and no real alternatives other than 'shutting in' capacity, these producers will probably discount Alaskan oil to whatever level is necessary to undersell Mexican oil and to maintain their market shares."

The CRS report also said the prospect of possible sales of Mexican oil on the U.S. West Coast "may aggravate the existing surplus there."

Compared to Mexican crude, North Slope oil is worth 38¢ a barrel less solely because of its lower quality.

Mexican crude is now discounted on the U.S. Gulf in order to displace Saudi light crude, the CRS report said, and this lower cost of Mexican oil already is causing North Slope crude to be further discounted by 29¢ to 58¢ per barrel in the U.S. Gulf (not counting the 38¢ quality discount). By 1985, the report said, the discount on Alaska oil in the Gulf could amount to 64¢ to $1.28 per barrel, even if the proposed Sohio pipeline from Long Beach, California, to Midland, Texas is built.

"Mexico will probably price its oil just low enough to back out Saudi light, but not low enough to displace ANS (Alaska North Slope) crude on a large scale (at the Gulf)," the report said.

By the 1990's, there's going to be a lot of Mexican oil available in the U.S. Gulf, which "will place heavy competitive pressures on all other foreign sour crude oil. If shipments of ANS crude to the Gulf Coast were reduced as a result, then the throughput of the PACTEX Pipeline (Sohio pipeline) could drop below 500,000 b/d by 1985. This could mean consequent increases in PACTEX tariffs or lead to further discounts in the price of ANS crude oil to make it competitive," the CRS report said.

"The net effect, therefore, could be one of either discouraging domestic production, especially in Alaska, or of reducing the profitability of North Slope operations," the CRS report concluded.

Source: "Energy Background Report", Legislative Affairs

3/27/79

Mexico: The Premier Oil Discovery in the Western Hemisphere

Intensive exploration in Mexico is rning up oil fields so immense that they ould overturn the conventional wisdom bout world oil supplies and significantly lter the geopolitics of energy.

For the past 5 years, the conventional isdom has been that most of the orld's major oils fields have already een discovered, that the United States ill have to rely more and more heavily n the Middle East for future supplies of il, and that the giant oil fields around he Persian Gulf are the result of a nique geological occurrence that is unkely to be matched anywhere else.

Not only does the conventional wisom appear to be wrong, it appears to be pectacularly wrong. Oil fields apparenty equivalent to those in Saudi Arabia ave been found only about 1000 kilometers from the U.S. border. Recent disoveries, whose magnitude has been nown to the Mexicans since 1973 but as been divulged slowly to the rest of he w[illegible], indicate that an area along the outh[illegible] coast of Mexico near the Yucatan peninsula and extending offhore more than 200 kilometers may be ne of the world's richest oil fields. The pparent magnitude of the Mexican oil eposit is a "tremendous shock" that "boggles the mind," according to oil exerts who are familiar with the discovries. The potential impact of these nds, which are in the states of Chiapas nd Tabasco and extend offshore into the ulf of Campeche, is all the more subtantial because the national oil compay, Petroleos Mexicanos (Pemex), has xplored only a fraction of Mexico's prospective oil regions.

Every year, for the past 6 years, Peex has revised its estimates of the ountry's potential oil reserves upward. By 1977, Mexico had equaled the Alaska North Slope. By early 1978, it was clear hat Mexico was at least the equal of nother Kuwait, and in September Mexian President José Lopéz Portillo anounced reserves that would match audi Arabia. Oil experts expect the gur[illegible] continue to rise as the exploraon [illegible]gram goes forward. What is nown of the geology of the Yucatan rea, coupled with the success rate so ar (no structures drilled in the Chiapasabasco area have been nonproducing) lead key observers to predict that Mexico's total oil and gas reserves will soon surpass those of any of the countries that now qualify as oil superpowers.

What this means for the United States is that during the next 5 to 10 years Mexico will become a world-class oil exporter, and if policies favorable to both sides can be worked out, Mexico could export a large part of its production to its neighbor to the north. In the past 5 years Mexico has increased its production by 300 percent, and by 1988 it could be exporting as much oil as Iran does now.

The Carter Administration is taking note of the Mexican developments, although not in public statements. In mid-August, National Security Adviser Zbigniew Brzezinski called for a broad presidential review of U.S.-Mexican relations, focusing on energy, but including trade and immigration questions. The memorandum establishing the review (presidential review memorandum 41) asked Administration officials to explore "potential U.S. inducements to influence Pemex to expand production capacity" and "possible joint planning for the structural evolution of U.S.-Mexican refining and petrochemical capacity." Vice President Mondale, Secretary of State Vance, Treasury Secretary Blumenthal, and United Nations Ambassador Young have all visited Mexico City during the first 2 years of the Carter Administration, and last month, 1 day after the director general of Pemex announced the discovery of a major new field north of Chiapas-Tabasco, President Carter announced that he would be personally traveling to Mexico for talks on 14 February.

Mexico is not a member of OPEC, the oil producers' cartel, but sells its oil for the cartel price. Since oil from Mexico could be shipped to the U.S. overland by pipeline or to the East Coast through coastal waters by tanker, the prime advantage to the United States of using Mexican rather than OPEC oil is "in terms of physical security," according to a Department of Energy official. The United States is not the only oil importer interested, however. Both the Japanese and the French have been negotiating to purchase oil from Mexico in recent months.

Extolling the magnitude and benefits of Mexican oil and gas has not been a credible activity in Washington, however. A year ago one of the few oil geologists who has consistently predicted larger Mexican reserve figures was called "the lunatic fringe" by major oil representatives. Parts of the government have suspected Mexican oil and gas reserves since 1973 but it was never published, even in classified documents, says one of the few Energy Department spokesmen upbeat about the discoveries to the south. A top Administration official with a role in energy matters notes wryly that the Energy Department "has been telling us that world demand is so high that we will need to find a new Saudi Arabia every five years to meet it, but now we have found one and no one talks about it."

The announcements of the past 3 months by Pemex have apparently changed the thinking, if not the public stance, of the energy bureaucracy. "No one any longer doubts," says one source, "that Mexico has a hell of a lot of gas and oil."

Mexico has, of course, had the oil for ages, but it took a long time, many political changes, and modern technology to find the huge deposits that are now in the news.

At the turn of the century, the head of the Mexican railway persuaded a California oilman to start exploration on the east coast of Mexico near Tampico, and a string of very productive fields was found in the geological formation known as the Golden Lane. The major oil companies moved to obtain concessions in this area, and by 1921 Mexico was the world's second largest oil producer after the United States. But the majors drew oil out at an exorbitant rate, and by 1930 Mexico's output had dropped to one-fifth of the 1921 level, the fields virtually ruined by overproduction. This experience, coupled with labor strikes in the mid-1930's, led Mexico to reclaim its concessions, throw out the foreign companies and establish Pemex to replace them. (Nationalization of resources by a developing country is now a familiar scenario, but when Mexido did it in 1938 it was an audacious act. Until then, only the Soviet Union had nationalized its oil resources.)

Most of the oil fields known at the time of nationalization were on the east-central coast, in the state of Veracruz. It was not until 1949 that the first oil and gas field was found along the southeast coast, in the state of Tabasco. More fields were found in the southern area in the 1960's, but these, like Mexico's origi-

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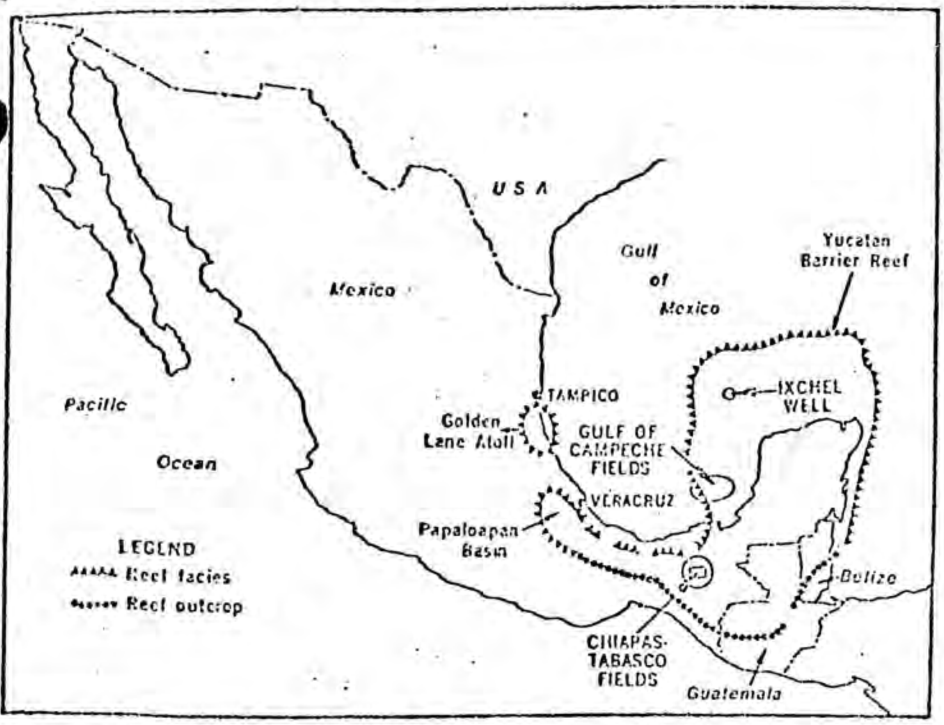

nal fields near Tampico, were shallow and relatively modest.

During the first 30 years of Pemex management, Mexico's projected oil reserves did not change much, fluctuating about the figure of 2.5 billion barrels. Before 1972, Mexico was projected to be a net importer of oil during the 1980's.

Such projections began to change quickly when Pemex drilled deeper and discovered two huge fields in the south not far from the town of Reforma. After that it seemed that almost every potential petroleum structure (previously found by seismic mapping) turned out to be a prodigious producer. For example, Pemex found that five or six nearby structures not only were first-rate reservoirs of oil and gas, but were in fact connected to each other to form one giant field over 200 square kilometers in area. As of the middle of 1978, Pemex was still trying to find the limits of this field as it continued to come up with wells that produce 9000 barrels per day, even on what were thought to be the extreme flanks of the field. From top to bottom, the thickness of the oil pool was found to be as great as 2000 meters in places—more than at any other site in the world—according to one petroleum geologist. This field alone, named for Mexican Senator Antonio J. Bermudez who took over Pemex in 1949 and is credited with transforming it from an inefficient bureaucracy into a businesslike organization, is thought to have about 5 billion barrels of recoverable oil and gas (about one-sixth the amount of U.S. reserves). The bulk of Mexico's current production (1.2 million barrels per day) comes from Bermudez plus the first two deep fields that were found in the Reforma area in 1972.

Pemex carefully mapped the Chiapas-Tabasco area by various seismic techniques and found 125 to 150 potential oil structures. So far only 40 or 50 of these have been investigated by exploratory drilling and about 25 are proving to be rich oil producers. As the additional drilling needed for daily production is done, most of the fields are proving larger than anticipated—many as large as the three mentioned above, according to Alvaro Franco, of the International Association of Drilling Contractors in Houston, who has followed Mexican Petroleum closely for 15 years.

Offshore, in the Gulf of Campeche, Mexico has found even more potential oil structures. Pemex director Diaz Serrano told the *Oil and Gas Journal* in an interview in June 1978 that in the Gulf of Campeche "we have mapped over 200 seismic structures, all of them with surprisingly gentle slopes and thus quite larger than those of Reforma." "Should they be oil-bearing," he said, "they would dwarf the potential of Chiapas-Tabasco." Most of Pemex's offshore drilling has been 60 to 100 kilometers from shore, north of the island of Ciudad del Carmen. Pemex first struck oil there in 1975. Geologically, the offshore structures are similar to the onshore ones. Out of ten potential structures drilled so far according to Franco, seven have turned out to be prolific oil fields. One of the largest is the Chac field.

The oil trade journals call the discoveries in the Chiapas-Tabasco area and the offshore fields in the Gulf of Campeche the largest oil province ever discovered in the Western Hemisphere.

Based on Pemex exploration in these two relatively compact regions, President Lopéz Portillo said in his state of the union address last September that Mexico now has potential hydrocarbon reserves equivalent to 200 billion barrels of oil. (Saudi Arabia's proved oil reserves are estimated to be 150 billion barrels, and those of the whole Persian Gulf region about 400 billion barrels.) Yet a large portion of Mexico has not yet been subjected to even the first stage of exploration. The geological explanation of the origin of Mexico's flush harvest of oil and gas offers some clues to what may remain to be discovered.

The explanation put forward by Pemex is that 130 million years ago, during Jurassic-Cretaceous time, the southern region of Mexico was surrounded by a wide barrier reef, creating a giant atoll-like island with a huge brackish lagoon in the center. The barrier reef collected rich layers of marine life, providing the organic residue that would later become oil, and evaporation of the lagoon laid down thick deposits of salt. The reef was not very similar in shape to the present land mass, but instead resembled the shallow shelf called the Yucatan platform which extends out into the Gulf of Mexico 100 or more kilometers from the present coastline. Sediments from later periods buried the reef, and with time the semiplastic salt began to flow toward the reef. Subsequent geological movements, both horizontal and vertical, produced complex fault networks and folded together the reef sediments with a deeper layer of salt, thereby forming sealed structures in which temperature and pressure transformed the marine sediments into oil. (These are the potential petroleum structures Pemex has been mapping with seismic methods.)

As pictured by geologists, the reef extends from the Papaloapan Basin (see map), where several promising new fields have been found, 300 kilometers east through the Chiapas-Tabasco region, then out into the Gulf where it circles the Yucatan peninsula. It comes back onshore through Belize and Guatemala. According to a spokesman for Pemex, A. Fulvio Zama, the company has now traced the Cretaceous edge of the reef all the way around the loop. The connection between the Papaloapan and Chiapas-Tabasco areas has been established. Both are part of the same formation found offshore, and all these are correlated with the Guatemalan discoveries. The reef concept seems to be on firm ground, according to Franco, who until recently was publisher of the Latin American affiliate of the *Oil and Gas*

Journal, "and if it is we are talking about a veritable monster in size." The biggest accumulations of oil, Pemex geologists believe, will be near the ancient reef rather than in the center, where salt deposits would be too thick and other rock conditions unfavorable.

The giant formations found in Chiapas-Tabasco and offshore in the Gulf of Campeche comprise only a small portion of the reef's perimeter. "We are talking about 200 billion barrels in these two clusters onshore and offshore," says Bernardo Grossling, a scientist with the U.S. Geological Survey who is regarded as one of the leading U.S. authorities on the Mexican situation. But there is a 100-kilometer gap between the two clusters that has not been drilled yet, according to Grossling, and farther into the Gulf from the scene of current offshore activity, there is another gap of 200 kilometers to the northwest corner of the atoll. At this corner Pemex has sunk one well, named Ixchel 1, as an "outpost" to see what might be encountered when exploratory activity reaches that region. It was a gusher. Beyond Ixchel, across the northern edge of the Yucatan platform, are hundreds of kilometers more of unexplored barrier reef.

The general impression of geologists who have looked at the situation is that further exploration, first by seismic mapping and then by exploratory drilling, can only find more oil. Pemex has two seismic mapping ships working full time and 20 offshore drilling rigs (up from six last year) at work. But the potential offshore fields cover a huge region (Ixchel is 500 kilometers from the southernmost well in the Chiapas-Tabasco area).

"I estimate that it will take 5 years for Pemex to come to the boundaries of this resource," says Grossling, who is advising various government agencies on the matter. "The breathtaking news will come every 6 months," he says, and "what I think is the limit for Mexico I will not even say."

Given the immensity of the southern oil fields, it is probably not in Mexico's interest to disclose what the ultimate yield could be because the information could depress the world oil price. On 24 November, Pemex director Diaz Serrano, while correcting an earlier announcement about new oil fields found under the Golden Lane, said, "We are not racing with anyone to win out on the record figure." (The area, called Chicontepec, has 100 billion barrels in situ, but the oil is heavy and only a fraction—perhaps 20 or 30 billion barrels—is thought recoverable.) One Mexican journalist who was contacted by *Science* said that the amount of oil Pemex *thinks it has* is 700 billion barrels.

Such a view is not inconsistent with the estimate of Lawrence Goldmuntz, a Washington energy counsultant, who notes that Pemex is not counting any oil that might be contained in the 200-kilometer region between the present offshore fields and Ixchel, even though Ixchel produced oil. Goldmuntz also notes that a pessimistic CIA report, which earlier this year downplayed the chance of further supergiant oil field discoveries, made a specific exception for the Reforma area. "The Mexican fields, when fully developed," Goldmuntz told *Science*, "may be equivalent to the entire Middle East."

It is no wonder that such estimates of Mexico's ultimate oil stores spark the idea that perhaps the United States should consider eventually replacing oil imports from OPEC with imports from Mexico. Production from the Mexican fields is expected to come into its own about 1985—the time when the Department of Energy has been saying that world oil demand will outstrip supply. A recent study of the subject by National Economic Research Associates (NERA) in Washington concluded that "at the very least, the crunch expected by some will be postponed by several years or ameliorated" and that "at best there should be no significant problem with the physical supply of oil through the remainder of the century if not beyond."

Many see a natural symbiosis between the two countries. The United States, which uses 18 million barrels of oil per day or one-third of the world's consumption, would appear to be Mexico's natural market. Mexico, which does 75 percent of its trade with the United States and is now running a $2 billion per year deficit, would appear to be the United States' natural supplier. What is needed, according to the NERA study, is a North American energy policy, under which Mexico and Canada provide the resources and the United States provides the market. "If there is an energy crisis in the United States in the coming decades," the report says, "it will be because the government forfeited the opportunity to avoid it."

Not everyone sees it that way. The Energy Department says that a substantial amount of Mexican oil production has already been factored into its projection* of the oil situation in the 1980's, and that we should not count on any additional production because the next Mexican presidential election in 1982 could alter the policy of rapid oil development that is now being followed. "In trying to calculate the Mexican contribution to total oil supply you cannot be mechanistic," says Walter J. McDonald, the Energy Department's special assistant secretary for international affairs. McDonald said that the Energy Department could "live with" estimates for proved and probable reserves "in the range of 50 to 100 billion barrels," but warned against making too much of the "ebullience and extraordinary optimism" associated with the larger numbers. (Pemex currently says it has 20 billion barrels of proved reserves, 37 billion barrels of probable reserves, and 200 billion barrels of potential reserves.) Whether or not Mexico has more than 50 billion barrels of oil "makes no difference over the next 10 years," McDonald argues, because Mexico's credit rating with foreign banks is already good enough to finance a pace of oil development as fast as logistical problems will permit. Grossling and others predict that Mexico will be exporting 10 million barrels of oil per day by 1990. McDonald says that Mexico could produce 4.5 to 5 million barrels per day by 1985, but may decide not to produce more than that. He refers to 10 million barrel per day estimates as "blue sky" numbers.

More is at stake than numerology, however, because 9 to 10 million barrels per day is about what Saudi Arabia produces, and about what the United States imports, although not all from Saudi Arabia.

Wouldn't it make sense for the United States to encourage Mexico to produce more oil and export it northward? The Energy Department position, as outlined by McDonald, is that this country does not need to offer Mexico any special incentives—that it will be to Mexico's advantage to sell here for three reasons: because of the traditional relationship of the two countries, because of the price advantage to Mexico (which could charge the United States not only the $12 world price but also the $2 cost of transporting OPEC oil to North America), and because of the ease of delivery.

Not only has the Energy Department done nothing to facilitate sales of oil, but it has done things that some observers think might jeopardize future oil sales through its handling of the matter of Mexican gas.

The gas matter came to a head last January, when Pemex broke off negotiations with the United States after Energy

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* The April 1977 report of the Central Intelligence Agency, *The International Energy Situation: Outlook to 1985*, which was used to substantiate the DOE's position, did indeed project that Mexican oil production would be between 3.0 and 4.5 million barrels per day in 1985.

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Reactor Sale to Libya Challenged

The Federation of American Scientists (FAS) has called on the Soviet Union to halt the planned sale of a 400-megawatt nuclear power reactor to Libya. At a press conference held on 30 November, FAS chairman George Rathjens and director Jeremy Stone explained that the Soviet Union is making the sale despite the fact that Libya, which ratified the Nuclear Nonproliferation Treaty (NPT) in 1975, has openly declared its intention to acquire nuclear weapons.

"This may be the first time anyone has asked a government to challenge a signatory to the NPT," said Stone. The FAS has written to President Carter proposing international sanctions against "bad faith adherence" to the treaty, and to Soviet Ambassador Anatoly Dobrynin suggesting that the sale be reconsidered.

Stone returned in October from a trip to Libya with about 100 Americans who were invited to Tripoli for an "Arab-American dialogue." Press reports over this decade have indicated that Libyan president Mouammar Qaddafi is eager to lay his hands on an atomic bomb, but Stone said he was "startled" to receive personal and unequivocal confirmation of the country's nuclear aspirations from top Libyan official Ahmed El-Shahati.

Libya in the past has asked Communist China for a nuclear weapon and is currently trying to obtain enriched material from the Pakistanis. It has already purchased a small research reactor from the Soviets. The new reactor would produce enough spent fuel to manufacture a half-dozen nuclear weapons a year, said Rathjens. The sale must be accompanied by a safeguards agreement approved by the International Agency for Atomic Energy; also, it is Soviet practice to retrieve spent fuels from reactors it sells. Nonetheless, the FAS contends the sale should be stopped in view of Libya's blatant attempts to acquire a nuclear weapons capacity.

Stone wrote a letter pointing this out to the Arms Control and Disarmament Agency and received a bland reply observing that all the requirements of such a sale were being adhered to and adding that the general absence of U.S. relationships with Libya made it difficult to exert any leverage on that country.

Relations with Libya are at quite a low ebb. According to Stone, the Pentagon has ranked that country only after the Soviet Union, the People's Republic of China, and North Korea as a possible source of hostilities. Official interactions with Libya are limited to educating their students (of whom there are 2000 here, 10 percent of them studying nuclear science) and buying their oil (Rathjens noted that Libyans could produce power much more economically by building gas and oil plants rather than nuclear ones). Stone, whose December FAS newsletter is devoted to an account of his trip, says the Libyans are trying through business dealings in "small" states such as Idaho to gain political influence in the United States.

Libya is a haven for controversial figures from all over the world—ranging from Spiro Agnew, who arrived in town at the same time as the American delegation, to Idi Amin, whose pictures were plastered about the city, to innumerable revolutionary groups. In 7 hours, reported Stone, one American journalist said he met with members of underground movements from black Africa, Palestine, the Philippines, Panama, Tunisia, Turkey, and Sicily. Libya is a thriving training ground for terrorist groups and is known for its lenient attitude toward airplane hijackers; its policy, says Stone, seems to have changed from "brazen defiance to plausible deniability" now that it says it is anti-hijacker but sympathetic to terrorism "in the cause of national resistance." All in all, noted Stone, "they could hardly be worse customers" for nuclear hardware.

Stone believes that the Russians might rethink the reactor deal since "the U.S.S.R. has at least as much interest in nonproliferation as the U.S. does." In any case, the FAS thinks it is time to challenge the "bland assumption" that countries are adhering to NPT just because they have ratified it. The FAS notes that there are other "potential nuclear states" eager to join the club that are also "potential false adherents" to the treaty. Countries named were Taiwan, South Korea, Iraq, and Iran.—C.H.

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Secretary Schlesinger vetoed as too high a price that had previously been agreed to by both Pemex and the consortium of U.S. companies that wanted to buy the gas. It created strong political opposition in Mexico toward any hydrocarbon exports to the United States. The price that Schlesinger rejected ($2.60 per thousand cubic feet) was based on the world oil price, calculated in terms of the Btu value of number 2 heating oil delivered to New York, and the idea that Mexico should tighten its belt and sell off its resources to the United States for less than the world price resulted in nationalistic outrage, particularly in view of the history of petroleum relations between the two countries. According to sources in Mexico City, the Mexican people were angry with Schlesinger personally and the government had to assume a strong position. In early April, Foreign Minister Santiago Roel said Mexico would not accede to pressure from rich nations looking for resources. The rebuff was all the more embarrassing to the government because a huge pipeline from the oil fields in the south to the vicinity of the Texas border was already under construction.

The Mexican domestic market for natural gas is modest, and as the development of the southern oil fields (which contain about 35 percent gas) speeds along, the amount of gas produced is quickly exceeding the capacity of the Mexican economy to absorb it. To liquefy the gas and ship it to other countries would be an economic debacle (because of the huge costs for special ships and liquefaction plants, Mexico's net earning would be reduced from $2.20 per thousand cubic feet for gas piped to Texas to 27 cents for gas shipped to Europe), so in fact Mexico does have few options other than to sell to the United States. But to state this publicly, as Schlesinger did when he said last January that Mexico "has to sell us the gas sooner or later," was impolitic, at the very least, and possibly shortsighted because the way the gas matter is handled—according to many observers—will have a large impact on the way the oil is developed. "Mexico may have to sell its gas to the United States," says one Washington energy analyst, "but it can sell its oil anywhere."

The gas matter is expected to come up again next spring, and to be on the agenda for Carter's visit in February. The White House has asked the State Department to get involved in preparing a "nonpolitical" assessment of the top price the United States could afford to pay at this time, and Brzezinski has re-

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portedly advised President Carter that Mexican imports could be the key to a far-reaching series of agreements.

Even though there is oil in the ground, some critics question whether Mexico is capable of extracting it at a rate that will make an impact on the U.S. market. Although Pemex makes extensive use of U.S. consultants and companies that provide technical support services, almost all the surface exploration and drilling has been done by Pemex itself. The company currently has more drilling rigs in use than all of Western Europe, and it is spending $10 to $20 million per day for exploration and development (Pemex gets one-fifth the national budget). Not only is there a crash program in exploration and development, but Mexico is also moving ahead of schedule in building 16 gas processing plants, 71 new petrochemical plants, and two new refineries. Mexico's proved oil reserves are certified by what many consider the world's leading mineral evaluation firm, De Golyer and MacNaughten of Dallas.

"The notion that Mexico could not produce the oil by itself is absurd," says Grossling, noting that Pemex has 6000 trained geologists and geophysicists and the Mexican Petroleum Institute has trained 3000 engineers in recent years. "Pemex has very good people," says Peter Flawn, chairman of the geology department of the University of Texas. "We know them and we have trained many of them," he says. He calls the Pemex organization "fully capable," and says the rate of daily production is dependent only on the amount of money Pemex spends on development. With certified reserves that are large and rising, lack of capital is no longer a limitation.

Such enormous stores of oil in a world thought to be hungrily draining its last reservoir present a potential revolution of energy expectations. Whether Mexico offers the world another 10, 20, 30, 40, or more years of oil cannot yet be determined. The stakes are high for the United States and the stakes are high for Mexico.

What seems clear are Mexico's present intentions. "We are exploring and finding reserves which will be used in the twenty-first century," said Diaz Serrano on the 40th anniversary of nationalization of the petroleum industry, "because we have already found the petroleum that Mexico will consume during the present century."

—William D. Metz

Environmental Groups Lose Friends in Effort to Control DNA Research

In popular lore, the environmentalist has the soul of St. Francis and the nerve of a lion tamer. He is not driven by a lust for wealth or glory, but by a vision of a world in which men live in harmony with nature. Given that the environmentalists share something with the saints, it is surprising to learn that many scientists who once counted themselves friends now consider themselves adversaries of groups such as the Natural Resources Defense Council, the Environmental Defense Fund, and Friends of the Earth. The new adversaries are not industrialists, but pure research scientists, primarily academics.

Several well-known figures, including Paul Ehrlich of Stanford University, and René Dubos of Rockefeller University, publicly broke with environmental groups this year over differing interpretations of the hazards in recombinant DNA research. The break developed when the environmental groups sought to have the federal government tighten up on safety measures that apply to laboratory experiments, while scientists were working to relax the rules. The new DNA guidelines are due to be published as this is written, and, according to several people who have seen them, they will lessen physical safety standards while greatly increasing the requirements for bureaucratic and public review of experiments. As is often the case in political decisions, this remedy seems designed to mollify both parties but satisfy neither.

In telling how the controversy over DNA research has created a feud between friends, two respected biomedical researchers referred to the environmentalists they had run into as thugs, flunkeys, sharks, and worse. These scientists said they gained new insight into the tactical methods of the environmentalists by watching them lobby for controls on recombinant DNA research. Neither wanted to be quoted, although both have spoken their mind in more guarded phrases at public meetings. In recent interviews they said they were disillusioned, having come to the conclusion that some of the environmental lobbies are in business to peddle paranoia.

Although they spoke with varying degrees of acerbity, a number of prominent scientists expressed at least some ill will toward the environmentalists this year. James Watson, one of the discoverers of DNA and a combative fellow always ready to take a swat at perceived villainy, was angry enough to publish an article in the Sunday editorial section of the Washington *Post* on 14 May. He lashed out at "disgruntled biochemists" and "noisy academic leftists" for agitating against certain DNA experiments, and he accused the environmentalists of scaring the public needlessly. "I fear," Watson wrote, "that such groups thrive on bad news, and the more the public worries about the environment, the more likely we are to keep providing them with the funds that they need to keep their organizations growing."

Among those who doubt the environmentalists' good faith are National Institutes of Health (NIH) researchers Malcolm Martin, Wallace Rowe, and Maxine Singer—all of whom have been involved in the DNA debate from the outset. Paul Berg of Stanford, Bruce Ames of the University of California at Berkeley, and Norton Zinder of Rockefeller University as well as others not directly involved in the politics of DNA have told the environmentalists that they are flatly wrong in the recombinant DNA case. Because of the ruckus, and partly as a result of peer pressure, several well-known scientists have publicly criticized the environmental groups of which they were members or directors. Paul Ehrlich, a trustee of Friends of the Earth (FOE), tried to have FOE relax its policy on recombinant DNA, without success. He wrote to the director of NIH, Donald Fredrickson, on 15 September, saying that "the potential benefits from recombinant DNA research are so great that it would

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January 11, 1978

M E M O R A N D U M

SUBJECT: Federal Price Decisions Relating to Prudhoe Bay Oil (W.O. #4460)

TO: The Honorable John Rader, President
Alaska State Senate

FROM: Richard G. Haggart
Research Analyst

This memorandum is in response to your request that we summarize and discuss those Department of Energy (formerly the Federal Energy Administration) and congressional actions relating to Prudhoe Bay oil prices. Since June 1977 two major decisions affecting the price of Alaskan oil have been made at the federal level:

1. Initially Alaskan North Slope oil was afforded upper tier treatment at the wellhead, and was simultaneously accorded foreign oil entitlement treatment -- the most beneficial price and entitlement treatment that the state could have received.

2. Since January 1, 1978, however, North Slope oil sold in the State of California has been subjected to an entitlements penalty variously estimated to be between 50¢ and 75¢ per barrel. The rationale for the imposition of this penalty will be discussed more fully below.

June 1977 Price and Entitlement Decisions

The initiation of crude oil production at Prudhoe Bay in June of 1977 necessitated federal decisions regarding the allowable price category for Alaskan crude oil at the wellhead, as well as the appropriate entitlements treatment to be afforded this oil at the refinery level. The decision which was reached regarding wellhead price treatment for Prudhoe Bay oil was neither unexpected nor controversial: North Slope oil was designated as "upper tier" oil for purposes of federal price regulation. This meant that producers could charge up to approximately $11.25 per barrel of oil without violating federal price guidelines. At the time the decision was made this was approximately $4.00 per barrel higher than the projected price for Prudhoe Bay oil at the wellhead, and at the present time is about $6.00 above the wellhead price. Thus,

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while many developments in the last six months have combined to lower the effective wellhead price in Prudhoe Bay, federal wellhead pricing policy has not been one of them. Nor is such policy likely to have negative effects in the foreseeable future, due to the large gap between actual wellhead prices and the federal ceiling price.

In a related decision the Federal Energy Administration determined that due to the significantly lower than allowable wellhead price for Alaskan oil (due to high transportation costs to move this oil to market), more favorable than normal price treatment for this oil at the refinery level was appropriate. This more favorable treatment took the form of allowing Alaska North Slope production to sell at prices equivalent to those allowed for imported oil under the federal entitlements program. By giving Alaskan oil such treatment, the FEA effectively raised the price that refiners could legally pay for Alaskan oil by approximately $2.00 per barrel over that which could be paid for similar oil (i.e., upper tier oil) if it were produced in the lower-48. In the Federal Register of August 17, 1977 the Federal Energy Administration set forward its reasoning in providing this bonus treatment for Alaska crude:

> "Thus, import tier entitlements treatment, while it leaves Alaska North Slope producers at a wellhead price disadvantage compared to producers of upper tier crude oil in the rest of the U.S. is more in accord with the statutory mandate for equitable pricing of crude oil in various regions of the country than would be upper tier entitlements treatment....
>
> FEA has not concluded that the entitlements treatment for Alaska North Slope crude oil adopted herein is necessary to provide incentives to complete development of the main Prudhoe Bay pool. Nor is it entirely clear that such treatment is necessary to provide an incentive to Alaska North Slope producers to proceed with the development of the Lisburne and Kuparuk pools, the other two proven reserves on the North Slope. But by providing Alaska North Slope crude oil with wellhead prices that are as high as possible (consistent with the upper tier ceiling price, the remoteness of the area, and the cost of the imported oil it is replacing), the maximum monetary and psychological incentives are provided for these and other producers to explore aggressively elsewhere in the Arctic and in other frontier regions."

In sum, initial federal decisions relating to the regulation of Prudhoe Bay wellhead prices, and refinery prices, were the most favorable that the state could have received under existing statutes and regulations.

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The California Entitlements Penalty

On December 8, 1977, the Economic Regulatory Administration of the Department of Energy (successor to the Federal Energy Administration in oil price matters and under the new Department of Energy), issued final rulemakings which are likely to reduce the average wellhead value of Prudhoe Bay oil by between 50¢ and 75¢ per barrel for at least the next several months. The Department of Energy rulemaking had two primary components:

1. Producers of certain categories (25.9° API gravity and below) of lower tier oil (oil selling for about $5.50/BBL) in California were granted favorable entitlements treatment that allows them, in effect, to sell their oil for $1.74 per barrel more than was previously the case.

2. To balance this increase in old prices in California, the Department reduced the entitlement value of Alaska North Slope and imported crude oil in California.

The more favorable entitlement accorded to the old, heavy California crudes, was instituted according to the Department of Energy, because previous entitlement treatment had given insufficient recognition to the very low quality of these crudes and hence their undesirability for California refiners. As a consequence, producer were being squeezed, and production of these crudes was threatening to decline. The reasons the California crude is undesirable as a refinery input in California include its high sulfur content (making it difficult to use considering the stringent environmental restrictions imposed by the State of California), and the fact that such heavy crude oil produces relatively large amounts of residual fuel oil which both because of sulfur content and market factors cannot be marketed in California.

Under the entitlements program, entitlement benefits are exactly equal to entitlement penalties (i.e., the disposition of entitlements to refiners in the United States is made in such a way that the average cost of crude oil to refiners is equal across the country, regardless of variations in the actual market price of the crude oil at the wellhead). Thus an increase in entitlements benefits for one category of oil must necessarily be accompanied by a reduction in benefits for some other category to maintain the balance. The Department of Energy has chosen to make these benefit reductions only upon imported oil and Alaska North Slope oil entering the State of California. The Department's rationale for thus limiting the penalty to a relatively small class of oil (alternatively for example the penalties could have been spread across all imports throughout the United States) was that the specific price relief required was in the California market, and that the California market is so economically isolated from other oil markets that the competitive balancing of effects sought by the entitlements change, should be limited solely to operations within that state.

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Outlook

The decision of the Department of Energy relating to modified entitlements treatment for Alaska North Slope Crude is, administratively, final. However, the Department has indicated that it plans to review the effects of the regulations in the first quarter of 1978 in terms of:

1. Whether the positive effects sought in California crudes have indeed developed.

2. Whether significant negative impacts have occurred for Alaskan North Slope production as a result of the entitlement penalty.

3. Whether modifications of the benefit/penalty system should be made in the light of 1 and 2 above.

In addition, Department of Revenue officials met with California officials on January 9, 1978 to discuss possible joint efforts by the two states to alleviate the impact of the entitlements decision on Alaska crude while still providing needed incentives for California production. Consequently, some amelioration of the Department of Energy's entitlements penalty on Alaskan crude could be forthcoming in the next 3 to 6 months -- although such relief is far from assured.

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Dropping of Pipeline Plan by BP's Sohio Sparks Speculation, Flurry of Questions

By RICHARD D. JAMES
Staff Reporter of THE WALL STREET JOURNAL

SAN FRANCISCO—Intense speculation and a flurry of questions have arisen in the wake of a decision by Standard Oil Co. (Ohio) to abandon plans for a $1 billion pipeline that would have largely eliminated the glut of Alaskan oil on the West Coast.

The speculation centers on why Sohio abandoned the project only days before it appeared that the company would overcome the last remaining obstacles that had blocked the pipeline project for years.

The reasons being offered by outside observers range from an attempt by the company, controlled by British Petroleum Co., itself 51% owned by the British Government, to pressure the U.S. into permitting the sale of Alaskan oil abroad, currently prohibited by law, to problems with the Prudhoe Bay oil field that would limit output from the reservoir.

The questions prompted by Sohio's move include what happens now with the Alaskan oil that is surplus to West Coast needs and whether Sohio's decision will block increased production of oil from Alaska, as some fear.

Facilities Required

The Sohio project would have involved building facilities to permit Alaskan crude to be moved by tanker to Long Beach, Calif., and then transported 1,000 miles by pipeline to Midland, Texas. At Midland, the crude would have gone into existing pipelines that carry Texas crude to Midwestern and Eastern markets. As part of the project, Sohio intended to reverse the flow of an existing 800-mile natural-gas pipeline and use the line to transport oil.

The line would have carried about 500,000 barrels of oil daily and was considered to be the leading long-term answer to relieving the West Coast oil glut. The oversupply arises because West Coast refineries can process only part of the 1.2 million barrels daily that flow from the Alaskan oil pipeline into tankers at Valdez. The surplus amounts to about 400,000 barrels daily and, for lack of a pipeline, it is being shipped through the Panama Canal to refineries on the Gulf Coast and elsewhere.

Most of the surplus is owned by Sohio, which hasn't any West Coast refineries, and the company has said that with abandonment of the proposed line it will continue shipping the oil through the canal. In the past, Sohio and other oil companies generally have said that shipping the oil was an unacceptable solution because the high transportation costs cut deeply into profits.

Sohio's decision would seem to increase the chances that the federal government finally would permit Alaskan oil to be exported, and, in fact, some Carter administration and Energy Department officials see this as a main reason for the oil company's move. "Probably they (Sohio) saw the administration about to export oil and this certainly applies more pressure," says one energy agency official.

The oil industry has long favored export of the oil because it would increase companies' profits. One recent Energy Department study shows that Sohio, 52.2%-owned by British Petroleum, would make between 70 cents and 90 cents a barrel more by exporting the oil compared to transporting it by pipeline to Texas. "Over a year that amounts to between $120 million and $170 million," an Energy Department official says.

Export Plan Outlined

One export plan calls for the U.S. to send as much as 800,000 barrels a day of Alaskan oil to Japan; then either Mideast oil bound for that country would be diverted to the U.S. East Coast, or Mexican oil originally bound for Japan would go to the U.S. Gulf Coast.

The Energy Department is considering asking Congress to permit such a swap. However, advocates of a swap concede that despite the pressure applied by Sohio, the chances of a swap being approved by Congress aren't good. They say lawmakers would be loath to vote to send Alaskan oil to Japan when their constituents are facing shortages of gasoline and prices up to $1 a gallon.

For its part, Sohio denies that its decision was motivated by a desire to export Alaskan crude. "Our economic evaluation didn't assume we could swap the oil," says Frank Mosier, Sohio senior vice president. He adds that the economics of the pipeline simply became "marginal" because of the long delays caused by governmental agencies fearful of the environmental damage the project might cause. He also blamed the possibility of even further delays.

The timing of Sohio's decision is causing many to doubt the company's professed reasons for abandoning the project. Key votes on the project were scheduled within the next few days, one by a local air-quality control district and the other by the California Coastal Commission. State officials say approval by both agencies was almost certain.

"Sohio told us about a week ago they needed the final permits by the end of the summer in order to go ahead," says Tom Quinn, chairman of the California Air Resources Board. "We told them that they would have the clearances long before that." Mr. Quinn says the state had only 30 minutes advance warning of Sohio's decision. "We urged them to wait a few days so we could talk about it, but they (Sohio) said whatever we would do is irrelevant," Mr. Quinn adds.

Gov. Brown Accuses Sohio

California Gov. Edmund G. Brown Jr. has found Sohio's decision so curious that he has called for a congressional investigation and has accused the company of launching "a carefully contrived publicity circus. They knew the permits were days away. They pulled out in the middle."

One oil-industry analyst suggests that Sohio timed its announcement [763] the rulings so it could continue to cite regulatory delays as a main reason for abandoning the project. The analyst concedes that the pipeline has become marginal from an economic standpoint, but says it's only partly due to regulatory delays. He contends that the company has been able to sell more of its oil on the West Coast than originally forecast and that Sohio's shipping costs through the canal were lower than expected.

Thus, the savings of 75 cents to $1 a barrel that the company had hoped to achieve with the pipeline had shrunk to less than 50 cents, and the volume of oil on which that savings could be achieved had diminished.

Some observers think abandonment of the line may be a major blow to federal Energy Department hopes for expanding Alaskan oil production, but that doesn't appear to be the case, at least as far as the Alaskan oil pipeline is concerned.

Negotiations among the eight owners to expand the line are progressing smoothly, says one observer close to the situation. He adds that it's expected that an expansion agreement will be reached this year and that it will provide for boosting the line's capacity to 1.5 million barrels or 1.6 million barrels daily. The current capacity is 1.2 million barrels daily.

Other Proposals Affected

The death of the Sohio project raises questions about the economic feasibility of other lines that have been proposed to move Alaskan oil eastward. "If Sohio can't do it, how can someone else? It makes me wonder," says an official of Northwest Energy Co. The pipeline concern has proposed to build a line in conjunction with Canadian companies from Skagway, Alaska, to northwestern Alberta, where it would link with existing oil lines to Chicago. The official says Northwest is reevaluating its project in light of Sohio's move.

Sponsors of other projects, however, don't appear worried. Only two days ago Trans Mountain Pipe Line Co. filed an application with the U.S. Interior Department to build an oil line from Port Angeles, Wash., to Edmonton, Alberta.

Northern Tier Pipeline Co., sponsor of another proposal, contends that its project makes more economic sense than the Sohio project. Northern Tier, a group that includes U.S. Steel Corp., Burlington Northern Inc. and Westinghouse Electric Corp., plans a 1,550-mile line from Port Angeles to Clearbrook, Minn., serving refineries in Northern and Midwest states.

"Our line will serve the midcontinent, where there is a recognized deficiency of oil," Thomas C. Kryzer, president, says. He points to a study that shows that some 63 refineries in the region will be short almost one million barrels daily unless new transportation facilities are built.

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January 20, 1978

M E M O R A N D U M

SUBJECT: TAPS Tariff Situation (W.O. #4461)

TO: The Honorable John Rader, President
Alaska State Senate

FROM: Richard G. Haggart
Research Analyst

This memorandum is in response to your request that we analyze the actions of the Interstate Commerce Commission (and the Federal Energy Regulatory Commission) regarding the trans-Alaska pipeline tariff. Specifically you asked that we examine the accounting basis upon which the ICC decision was made, the allowable rate of return granted the carriers and the application of this rate of return to the carrier's capital structure. Because of the many changes which have occurred in the tariff situation since June, 1977, we have also provided a general "update" of the current tariff outlook.

Carrier Filings

In June 1977 the eight owner companies filed initial TAPS tariffs with the ICC ranging from $6.04 per barrel (Atlantic Richfield) to $6.44 per barrel (Amerada Hess). The average tariff for all 8 companies was about $6.20 per barrel. While some variations between companies existed in the initial tariffs, the major factors effecting tariff levels were similar for all carriers:

1. The pipeline was valued at about $9.7 billion for tariff purposes. This total included approximately $8 billion in invested capital $1.3 billion in capitalized interest and $400 million reflecting the increased "replacement" value of the pipeline.

2. Operating throughput for the pipeline was estimated to be 1.2 million barrels or 438 million barrels annually.

3. Operating costs for the pipeline were estimated to be about $0.94 per barrel (at 438 million barrels per year). This includes amounts payable under the oil and gas properties tax.

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4. Removal costs were estimated to be about $0.10 per barrel (at 438 million barrels per year).

5. Depreciation charges were about $0.85 per barrel (at 438 million barrels per year).

6. Interest charges were about $1.57 per barrel (at 438 million barrels per year).

To calculate their initial tariffs the carriers determined total costs of operation (items 3 thru 6 above) to be about $3.46 per barrel. They calculated their after-tax return on the valuation of the pipeline at a rate not to exceed 7% (i.e., the maximum return they could have obtained under their filing assumptions would be 7% X $9.7 billion = $679 million. At 438 million barrels per year this is equivalent to $1.55 per barrel in after tax profit). The actual returns in the initial tariffs averaged less than this maximum amount -- about $1.30 per barrel of production or about a 5.8% return on valuation. FERC personnel with whom we spoke could not explain why the companies filed for a lower rate of return than that to which they were theoretically entitled. One possibility advanced by FERC is that the company tariffs were developed prior to a final determination of pipeline valuation. Another, and in our view more likely possibility, is that the tariff was "smoothed" somewhat in the initial filings in order to avoid the necessity of filing amended tariffs in the first few years of pipeline operation. Based on an assumed tax rate of 52.9% (48% federal rate plus Alaska's 9.4% rate which is deductible against the federal liability) taxes were imputed to be about $1.46 per barrel. Thus, the total tariff (costs plus return plus imputed taxes) averaged about $6.22 per barrel (these numbers are slightly different than those contained in the filings before the ICC, because for purposes of this explanatory memorandum all dollar figures were rounded to the nearest penny. The average tariff as calculated by the ICC was $6.211 per barrel -- just slightly lower than that calculated using the rounded numbers contained in this memorandum).

The ICC Interim Tariff

The initial filings by the carriers were met with protests by the State of Alaska, the United States Department of Justice, the ICC's Bureau of Investigations and Enforcement and the Arctic Slope Regional Corporation (for a more detailed treatment of the objections raised by protestants see "Major Tariff Issues" below). After consideration of the protests the ICC determined that acceptance of the initial tariffs would not be in the public interest and ordered them suspended. The Commission also authorized acceptance upon 1 day's notice of "interim" tariffs, which would be in force for a period of 7 months, during which the Commission would consider the various substantive issues raised by protestants.

The basis utilized by the ICC in calculating acceptable interim tariffs for the carriers differed from that used by the companies in one significant detail: the basis on which the allowable rate of return was calculated. In all other regards, the ICC accepted without prejudice the carrier filings, noting however that such temporary acceptance in no way committed the Commission to actually approving the carrier's initial estimates.

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The ICC rate of return calculation, like the carriers, was initially based on the estimated valuation of the pipeline -- about \$9.7 billion. And, the ICC allowed a rate of return on that valuation of 10% (a rate previously applied only to petroleum products pipelines, but justified in this instance, in the ICC's view, by the greater risk involved in the TAPS operation). However, unlike the carrier's calculations, the ICC rate of return covered debt costs as well as equity returns. Thus, the ICC tariff was calculated to be:

1. Carrier filed charges for operating costs, depreciation and removal charges were accepted. These three categories totalled about \$1.89 per barrel (at 438 million barrels per year).

2. Return was 10% on the valuation of \$9.7 billion, or about \$970 million (\$2.22 per barrel at 438 million barrels per year).

3. Of this \$2.22 per barrel return, the carriers received net after tax about \$0.65 per barrel (\$2.22 total return minus \$1.57 per barrel for debt charges = \$0.65 per barrel).

4. Assuming, again, a tax rate of 52.9%, imputed income taxes totalled \$0.74 per barrel (\$0.65 ÷ 0.471 - \$0.65 = \$0.73/bbl.).

5. Thus, the average tariff under the ICC calculation was about \$4.84 per barrel (\$1.89 in costs + \$2.22 return + \$0.73 imputed income taxes).

The key distinction between the two tariff calculation methods, is of course, the way "return on valuation" is accounted for in terms of interest charges. In the carrier filings, interest was treated as an operating expense, with the total return on valuation going to the equity investment in the project. Under this system, the rate of return on equity (average equity in TAPS was estimated to be about 13% of the capital structure) was about 45%. Under the ICC's method, the rate of return was calculated by allowing a higher return on valuation, but requiring that debt servicing costs be paid from this return. Under the ICC formula the return was sufficient to cover actual interest charges, provide a return to equity of about 22% and a total return on investment of about 10.5% (noting that the amount historically invested is <u>less</u> than the valuation of the pipeline upon which the rate of return is calculated).

<u>Major Tariff Issues</u>

As was noted above, the interim tariff (now suspended by Supreme Court action; see "Legal Proceedings" below) was not intended by the ICC to be a final resolution of the many issues raised by protestants of the initial tariffs or by the ICC itself. Rather, the ICC felt that the

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interim tariff granted reasonable protection to all parties concerned pending the outcome of the ICC's hearing and review process. A compendium of the relative positions of the carriers and protestants (considered as a group) on the major issues involved in tariff calculations is set forth below:

Tariff Issue	Carrier Position	Protestant Position
Inclusion of "cost overruns" in the rate base	Actual costs should be used, with no downward adjustment for overruns.	Valuation for rate of return calculations should be adjusted downward to account for overruns.
Authority of ICC to suspend initial rates.	Does not have authority.	Has authority.
Authority of ICC to suspend initial rates.	Does not have authority.	Has authority.
Operating Costs	Accurate as filed with initial tariffs.	Possibly over-stated.
Pipeline throughput levels	Reasonable for first several years of operation.	Does not reflect higher production levels in later years.
Depreciation Charges	25-year straightline is reasonable schedule based on North Slope reserve life.	Depreciation period should be longer (27.5 to 35 years depending on protestant)
Removal Costs	Removal cost estimates and amortization schedules are reasonable.	Removal cost estimates are too high, and amortization schedules too short.
Valuation adjustment for replacement cost.	Should be used.	Possibly should not be used.
Return on Valuation	Not to exceed 7% of valuation, with interest charges treated as an expense.	Allowable rate of return on valuation varies among protestants; however, return should be limited to equity portion of investment, and should be much lower than that contained in carrier filings.

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Tariff Regulations (Relating to conditions of tender, etc.)	Reasonable	May be unreasonable.

Once the legal questions at issue in the current Supreme Court proceedings are settled, the Federal Energy Regulatory Commission (successor to the ICC's oil pipeline regulatory functions) will decide the above questions. As we stated in our memorandum of January 10, 1977 ("Reorganization of Federal Energy Jurisdiction"), we believe the final tariff approved by the FERC will likely tend to favor the position of protestants --i.e., the tariff will be significantly lower than the initial tariffs filed by the carriers and which are now in force. But, as is noted below, this outcome may lie years in the future.

Legal Proceedings

As a result of the ICC's suspension of the carrier's initial tariff, and the Commission's determination of acceptable "interim" tariffs pending consideration of the issues relating to approval of a final tariff, several of the carriers brought suit against the Commission. The suit claimed:

1. The Commission had no authority to deny the carrier's initial filings.
2. The Commission had no authority to specify "acceptable" interim rates in substitute of carrier's initial filings.
3. The Commission had no authority to provide for refund provisions in the interim tariff.

Relative to the state's interest in the long-term tariff that eventually results from FERC deliberations, the revenues at issue in the Supreme Court case are not large. A complete resolution of the issues before the Supreme Court in the state's favor would result in between \$7 to \$9 million in incremental revenue (plus accrued interest) for the state. This is because, while the Court stay and grant of certiori allowed the owner companies to reinstitute their initial tariffs on December 8, 1977, the ICC interim tariffs would have expired by about February 1, 1978 in any event. Thus, the revenue difference to the state is the royalty and production tax on the approximately \$1.35 tariff differential for production during this six week period.

Outlook

In the judgement of the state Attorney General's office, complete the resolution of the TAPS tariff issues is likely to take a minimum of 2 to 3 years. In their view, virtually every material question raised by the

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carriers and protestants is likely to end up in court and will be appealed to the Supreme Court by one side or the other. In the hope of speeding up the process the state has divided the tariff procedure into two parts:

1. Those general issues (such as the proper method of calculating the rate of return) which involve questions of methodology.

2. Those issues where specific carrier filings or data are at issue.

The Attorney General's office is seeking FERC action on the first area by mid-summer 1978, on the basis that such basic policy decisions are independent of questions of fact, and can thus be settled by the Commission relatively quickly. While the state has asked for no specific tariff in the proceeding, we believe based on our reading of state filings before the FERC that phase one of the state's actions could mean a tariff reduction of between $0.50 and $1 per barrel if the Commission acts favorably. It should be noted, again, however, that the carriers are almost certain to dispute this bifurcation of the proceeding if the Commission accepts it. Thus the earliest even partial tariff relief the state can expect is early 1979 -- and depending on court and Commission decisions could come much later. In sum, however, we believe that the state will eventually prevail on most, if not all, of the questions now at issue before the Court and the Commission -- it will, however, be a time-consuming process.

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STATE OF ALASKA
THE LEGISLATURE
LEGISLATIVE AFFAIRS AGENCY

POUCH Y - STATE CAPITOL
JUNEAU, ALASKA 99811
907-465-3800

M E M O R A N D U M   March 26, 1979

SUBJECT: Fiscal Year 1980 Oil and Gas Revenue Estimates

TO: The Honorable Nels Anderson
The Honorable Jim Duncan
The Honorable Russ Meekins
The Honorable Brian Rogers
The Honorable John Sackett

FROM: Gregg K. Erickson
Director of Research

Summary

Alaska's oil and gas revenues in Fiscal Year (FY) 1980 are very likely to exceed the administration's January estimates by at least $190 million; it is possible that the increase could be as much as $372 million. The sources and amounts of the expected increases are summarized below.

Table 1

Source	Net Revenue Increase (millions)	Probability Assessment
Increase in Prudhoe Bay production	$100.5	90%
Crude oil price increases	$ 90.3	90%
Favorable partial TAPS case settlement	$123.1	65%
Favorable royalty pricing case settlement	$ 58.8	15%

Unfortunately, there remains a small but significant probability that some combination of natural disaster, unforeseen market changes, regulatory actions by the federal government, or legal events could result in actual FY 1980 revenues as low as the administration's earlier projections. In any event, the currently optimistic outlook really represents no fundamental change in the state's long-term financial position. It remains our view, and the view of almost all responsible parties who have studied the issue, that the "hard landing" occasioned by the eventual loss of Prudhoe Bay revenues remains a crutial problem for Alaska.

Attachment #2

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Analysis

Because it depends so much on one commodity -- petroleum, Alaska's revenue is far more volatile and difficult to predict than the revenues of any other state. Natural occurrences, such as the closing of the Valdez terminal for several days due to wind conditions, can have unanticipated substantial impacts on revenue. Even more significant effects can flow from institutional factors affecting the world petroleum market, or from regulatory developments.

Ever since crude oil first flowed through the Trans-Alaska Pipeline in June of 1977, these institutional and natural factors have caused an unremitting downward reevaluation of the state's Prudhoe Bay revenue expectations. The explosion at Pump Station 8, the higher than anticipated transportation costs to the West Coast, and the increasingly large amounts of Alaska oil which had to be shipped to Texas and Louisiana ports all had this effect.

As we indicated to one of you (Mr. Meekins) at the beginning of the session, we believe that occurrences of the opposite effect are likely to dominate the next fiscal year. These occurrences, and other factors which should be considered in reviewing the oil revenue estimates shown in Tables 1 and 2, are discussed below.

The Trans-Alaska Pipeline thruput is scheduled to increase to 1.35 and possibly to 1.40 million barrels per day in late fall 1979. The increased

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pipeline capacity, announced in February, will come about through the installation of additional pumping capacity. Conversations with the producer companies indicate they intend to make use of all available TAPS capacity, and that the expansion will not require any significant additional field investment. Although it is possible that the new pumps may be able to raise capacity to as high as 1.4 million barrels per day, our calculations have been based on an increase to 1.35 million barrels per day, effective in October, 1979.

Substantial price increases have already occurred as a consequence of the oil market disruptions associated with the Iranian curtailments, and this trend is expected to continue. Our calculations assume that prices obtained by Alaska oil during fiscal 1980 will average $2.63 higher than those received in calendar 1978. This corresponds fairly closely to Mr. Milton Lipton's estimate of a $2.50 price increase over the same period. Both of these price increase predictions are probably conservative, since it seems unlikely that Iranian production will resume its former level. In any case, substantial time will be necessary to rebuild the stocks that have been and will be depleted during the period of curtailment.

An indirect effect of higher world market prices for oil, and supply shortages, has been that more Alaska oil has been able to find its market on the West Coast. This has arisen from a number of factors, including the diversion of Indonesian oil to Japan to make up supplies lost from Iran. Apparently, West Coast refiners who hitherto had refused to take increased shipments of Alaska oil, have been forced to do so by

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these events, and in d ng so have discovered that Alaska crude is more adaptable to their refineries than they had anticipated.

A partial settlement of the TAPS tariff case has been proposed by the Federal Energy Regulatory Commission (FERC) Administrative Law Judge; if this settlement, or one similar to it, is accepted by the parties to the FERC tariff proceeding, it will have very substantial positive revenue impacts on the state. Our estimates of the revenue impact of this settlement, should it occur, are based on the terms of the settlement, which provides that the tariff will be recalculated in the event of changes in thruput. At 1.35 million barrels per day, the average tariff, would, under the terms of the settlement, be \$4.78 per barrel, down from the current average of \$6.21 per barrel.

Adoption of the proposed settlement or one like it will not resolve all the TAPS tariff issues, nor will it necessarily establish a permanent formula for computing TAPS tariffs in years beyond 1981. Nevertheless, the leverage on state revenues as a consequence of such a settlement is tremendous. Although we feel fairly confident that the eventual ruling by FERC will be very similar to that contained in the proposed settlement, the biggest unknown is whether the pipeline owners will accept the proposal. Even if they don't, it still may be imposed upon them by FERC. Because of this uncertainty, however, we have assigned only a 65% probability that the tariff will be reduced in accordance with the settlement or some similar arrangement by the early part of fiscal 1980.

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Some relaxation of the current prohibitions on export of Alaska crude are possible during fiscal 1980. Although the amounts now being considered for export are small, they could have some significant revenue impact if they make it possible for more Alaska oil to find its home on the West Coast. Nevertheless, we have not included in our estimates any revenues from possible exports, partly on account of the small qualtities involved, and partly due to the uncertainty as to how much of the benefits of exports will have to be shared with shipping interests and/or consumers.

Adverse federal regulatory actions remain a possibility, and should be considered in any evaluation of Prudhoe Bay oil revenues. At the present time, the wellhead ceiling price for North Slope oil is about $12 per barrel. Even the most optimistic of our projections do not have that price rising much above $9 per barrel. Nevertheless, it is possible that the federal government could try to protect consumers by placing some sort of lower ceiling on the price.

State contributions to the Native Land Claims fund equal to 10 percent of royalty collections are not deducted from the revenues shown in our calculations. We have not made a precise calculation of how much additional liability to the Native fund would be associated with the likely increase of $190 million in general fund revenues, but roughly estimate the amount at $18.5 million in FY 1980.

Our estimates do not take account of any adverse effect that the suit filed by major producers concerning the oil and gas corporate income tax *might have on FY 1980 revenues.* Although it has been conceded that there are parts of that suit that may have significant merit, these refer to sections of the act the repeal of which would have little or no effect on Alaska revenues. Those parts of the act on which major revenues depend seem to be the parts most likely to survive judicial scrutiny. In any event, representatives of one of the plaintiffs have suggested that it might very well take three to four years to resolve the matter. We believe this estimate is realistic, and have thus included expected oil and gas income tax revenue increases in our FY 1980 calculations.

The estimates contained in this memo do not take account of possible overestimation of non-petroleum revenue. The latest projections prepared by Milt Barker of the Legislative Finance Division indicate that non-petroleum revenue is likely to be from $10 million to $40 million less than projected by the department in January.

The revenue effects of a favorable settlement of the royalty pricing suit are estimated in Tables 1 and 2, but we do not assign a very high probability to the actual receipt of these funds in FY 1980. It is likely that the Superior Court before which this suit is being heard will issue a decision within the next month, but this is almost certain to be appealed by one or more parties.

GKE:jm
Attachments: Tables 2 through 5

3/27/79

Table 2

FY 1980 General Fund Oil Revenue Sources and Amounts of Increases (Decreases)
Expected Over Department of Revenue Estimates Issued in January 1979
(millions of current dollars)

Source 1/	Gross Royalty and Severance Tax Effects	Severance Tax Credits (EDIC), Permanent Fund, and Renewable Resources Fund Deductions	Oil and Gas 2/ Income Tax Effects (Net)	Net General Fund Revenue Effects
Production increase	106.3	(42.0)	36.2	100.5
Crude oil price increases	93.3	(34.8)	31.8	90.3
Favorable partial TAPS case settlement	163.7	(63.5)	(12.8)	87.4
(Retroactive effects) 3/	58.9	(17.7)	(5.5)	35.7
Favorable royalty pricing case settlement	39.9	(11.9)	(3.8)	24.0
(Retroactive effects) 3/	57.4	(17.2)	(5.4)	34.8

1/ Calculations were made sequentially from the top to the bottom of this list. For example, the revenue effects of crude oil price increases are calculated on the basis of the higher level of production, but without assuming a favorable TAPS case settlement. Making the calculations in a different order would produce different numbers in each of the cells, but the column totals would remain unchanged.

2/ The oil and gas income tax effects are complicated by a number of factors. On the average, the quarterly tax payments will lag four and one-half months behind the date of accrual. Thus, some of the revenue shown in this column will actually fall into FY 1981. This effect is partially cancelled out by FY 1979 revenues not shown here, but which will be collected in FY 1980. The calculation is further complicated by the fact the TAPS case settlement will raise income tax liabilities at the wellhead but reduce them on the pipeline. Moreover, as the figures indicate, the net effect will be different, depending on whether the severance tax oil price is above or below the floor.

3/ Settlement of the TAPS tariff and royalty pricing cases would involve additional payments to the state for oil produced during FY 1978 and FY 1979.

Prepared by:
Legislative Affairs Agency
Research Division
26 March 1979

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3/27/79

Table 3

Average Destination Price Assumptions for Prudhoe Bay Oil

Fiscal Year 1979	Division of Research Assumptions 1/
1st Quarter	12.67
2nd Quarter	12.67
3rd Quarter	13.48
4th Quarter	14.11
Fiscal Year 1980	
1st Quarter	14.51
2nd Quarter	14.99
3rd Quarter	15.72
4th Quarter	16.47

1/ Pass-thrus are the sum of announced OPEC Saudi light price increases and additional increments announced by sellers reflecting ending of discounts on West and Gulf Coasts (attributed to Iran). Additional increments in all quarters of 1980 are assumed to be proportional to those experienced in the 3rd quarter of 1979.

Prepared by:
A. R. Latham
Legislative Affairs Agency
Research Division
23 March 1979

3/27/79

Table 4

Potential Prudhoe Bay Royalty and Severance Tax Revenues for FY 1980
(millions of dollars)

BASE CASE 1/	618.2	
Credits and Dedications		
Royalities 2/	(96.8)	
Severance Tax 3/	(147.7)	
		373.7
Additional Revenues		
Thruput Increase 4/	106.3	
Price Increase 5/	93.3	
Tariff Settlement 6/	163.7	
Gathering and Conditioning 7/	39.7	
		776.7
Credits and Dedications		
Thruput Increase	(42.0)	
Price Increase	(34.8)	
Tariff Settlement	(63.5)	
Gathering and Conditioning	(11.9)	
		624.5

1/ Department of Revenue 1/1/79.
2/ 25% to Permanent Fund; 5% to Renewable Resource Fund.
3/ EDIC Credit, 50% of Severance Taxes
4/ Department of Revenue 1.16 MBD to our 1.35 MBD
5/ Department of Revenue $6.10 to our $7.06 for royalties and Department of Revenue $7.07 to our $7.70 for severance taxes
6/ Weighted average pipeline tariff going from $6.22/BBL to $4.78/BBL.
7/ $0.64 added back to royalty wellhead.

Prepared by:
A. R. Latham
Legislative Affairs Agency
Research Division
23 March 1979

3/27/79

Table 5
Potential Retroactive Prudhoe Bay Royalty and Severance Tax Revenues

Source/Year	Tariff Adjustment	Gathering and Conditioning Charges	Totals
Royalties 1978	$14,239,584	$22,936,929	$ 37,176,513
Severance Tax 1978	-	-	-
Gross Total 1978	$14,239,584	$22,936,929	$ 37,176,513
EDIC Credit	-	-	-
Permanent Fund and RRF Contribution	(4,271,875)	(6,881,079)	(11,152,954)
Net Total 1978	$ 9,967,709	$16,055,850	$ 26,023,559
Royalties 1979	$44,708,748	$34,474,215	$ 79,182,963
Severance Tax 1979	-	-	-
Gross Total 1979	$44,708,748	$34,474,215	$ 79,182,963
EDIC Credit	-	-	-
Permanent Fund and RRF Contribution	(13,412,624)	(10,342,264)	(23,754,888)
Net Total 1979	$31,296,124	$24,131,951	$ 55,428,075
Grand Total 1978 & 1979	$41,263,833	$40,187,801	$ 81,451,634

Prepared by:
A. R. Latham
Legislative Affairs Agency
Research Division
23 March 1979

3/27/79

March 27, 1979

The Department of Revenue today announced that its most recent revenue forecast is significantly higher than previous estimates. The latest forecast projects net unrestricted revenues to the General Fund as $1.09 billion in Fiscal Year 1979 and $1.17 billion in Fiscal Year 1980. These revised figures are, respectively, $58.6 million and $87.2 million more than had been estimated last January.

The Department attributed the major portion of this change to increase revenue expectations from oil and gas production tax and royalties. Since the last forecast, three events have had a major effect on these revenue sources. First, the disruption in the world oil market due to the Iranian political situation has accelerated crude oil prices to levels even higher than had been announced by OPEC at its meeting last December. The higher level of prices allows crude oil from Prudhoe Bay to realize a higher price too, thus raising that oil's "wellhead" value.

Second, the Iranian situation has also changed previous patterns of oil movements. As a result of these shifts, North Slope oil has been bought by West Coast refiners who had previously relied on alternative, imported supplies. Since transportation costs to the West Coast are less than the costs to the Gulf of Mexico or East Coast, this increase in sales to West Coast refiners results in higher "wellhead" values for that oil.

Attachment #3

3/27/79

The Department also cited increased TAPS capacity as a major factor for its higher estimates. Since the last forecast, the TAPS owners have announced the planned installation of additional pumping capacity north of the Brooks Range. This is expected to boost the overall capacity of the line from its present level of 1.2 million barrels a day to something between 1.35 and 1.4 million.

The Department added that the OPEC price increase announced yesterday could further increase its figures, depending on the success of the oil-consuming nations to conserve oil and thereby counteract this action by the oil-producing cartel.

3/27/79

Attachment #3

Revenue Sources FY 1978-80

Quarterly Update

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MARCH 1979

3/27/79

Jay Hammond, Governor

787

ALASKA'S REVENUE SOURCES

Compiled by Research Section
Department of Revenue

Quarterly Update
March 1979

Unrestricted Revenues

In Thousands of Current Dollars

	FY 1979 REVISED ESTIMATE JANUARY	FY 1979 REVISED ESTIMATE MARCH	FY 1980 ESTIMATE JANUARY	FY 1980 ESTIMATE MARCH
TAXES				
INCOME				
Corporate	37,000	37,000	39,000	39,000
Corporate-Petroleum(1)	166,000	200,000(2)	160,000	160,000
Fiduciary	100	100	100	100
Individual	130,000	130,000	145,000	145,000
GROSS RECEIPTS				
Alaska Business License(3)	22,000	22,000	3,800	3,800
Commercial Fish	10,500	10,500	10,200	10,200
Other	12,700	12,700	14,500	14,500
SEVERANCE				
Gravel, Timber, Land etc.	800	800	800	800
Oil & Gas Production(4)	165,500	169,200	172,100	201,200
PROPERTY				
Oil and Gas	161,000	161,000	166,000	166,000
Other	200	200	200	200
SALE/USE				
Alcoholic Beverages	7,500	7,600	7,600	7,700
Fuel Taxes-Aviation	3,400	3,400	3,500	3,500
Fuel Taxes-Highway	22,100	21,000	23,400	22,500
Fuel Taxes-Marine	2,300	2,300	2,400	2,400
Tobacco Products	1,700	1,700	1,700	1,700
OTHER				
Death and Gift	300	300	400	400
School	2,400	2,400	2,500	2,500
TOTAL TAXES	745,500	782,200	753,200	781,500
LICENSES AND PERMITS				
Business	7,700	7,700	8,400	8,400
Non-Business	12,500	12,500	11,700	11,700
TOTAL-LICENSES AND PERMITS	20,200	20,200	20,100	20,100

INTERGOVERNMENTAL RECEIPTS				
FEDERAL SHARED REVENUE(5)	4,200	4,200	4,300	4,300
STATE RESOURCES REVENUES				
SALE/USE				
Investment Earnings	42,000	50,000	45,000	53,000
Royalties(5)	223,200	238,500	270,200	334,100
Other(5)	4,600	4,600	6,700	6,700
FACILITIES RELATED CHARGES	23,600	23,600	27,600	27,600
SERVICE RELATED CHARGES	4,500	4,500	3,400	3,400
TOTAL STATE RESOURCE REVENUES	297,900	321,200	352,900	424,800
MISCELLANEOUS REVENUES				
RETURNS, ETC.	3,900	3,900	3,900	3,900
TOTAL UNRESTRICTED REVENUES	1,071,700	1,131,700	1,134,400	1,234,600
LESS: NATIVE LAND CLAIMS PAYMENTS(6)	41,600	43,000	50,800	63,800
TOTAL TO THE STATE	1,030,100	1,088,700	1,083,600	1,170,800

(1) Ch. 110 SLA 1978, effective July 9, 1978.
(2) Represents Five Quarters of Estimated Payments. The initial payment for the 1978 tax year was March 15, 1979. The First Quarterly Payment for FY 1979 is due June 15, 1979.
(3) Sec. 3 of Ch. 144 SLA 1978, effective January 1, 1979.
(4) Reserves Tax Credit Applied.
(5) Net of 25% Permanent Fund Contribution.
(6) Ch. 107 SLA 1977, effective Jul, 1, 1977.

Restricted Revenues

In Thousands of Current Dollars

		FY 1979 REVISED ESTIMATE JANUARY	FY 1979 REVISED ESTIMATE MARCH	FY 1980 ESTIMATE JANUARY	FY 1980 ESTIMATE MARCH
	FEDERAL GRANTS-IN-AID				
I.	Education	35,800	35,800	36,400	36,400
II.	Social Services	82,600	82,600	90,000	90,000
III.	Health	2,600	2,600	2,700	2,700
IV.	Natural Resources	5,900	5,900	10,000	10,000
V.	Public Protection	4,700	4,700	5,100	5,100
VI.	Administration of Justice	2,600	2,600	2,500	2,500
VII.	Development	900	900	1,200	1,200
VIII.	Transportation	125,000	125,000	125,000	125,000
IX.	General Government	500	500	700	700
	TOTAL FED. GRANTS-IN-AID	260,600	260,600	273,600	273,600
	OTHER GRANTS-IN-AID				
I.	Education	200	200	300	300
II.	Social Services	1,600	1,600	1,600	1,600
III.	Health	2,100	2,100	2,100	2,100
IV.	Natural Resources	1,500	1,500	1,800	1,800
V.	Public Protection	300	300	700	700
VI.	Administration of Justice	-0-	-0-	-0-	-0-
VII.	Development	300	300	300	300
VIII.	Transportation	1,100	1,100	1,200	1,200
IX.	General Government	1,000	1,000	2,400	2,400
	TOTAL OTHER GRANTS-IN-AID	8,100	8,100	10,400	10,400
	MISC. RESTRICTED REVENUE-ALL CATEGORIES	700	700	500	500
	TOTAL RESTRICTED REVENUE(1)	269,400	269,400	284,500	284,500
	TOTAL GENERAL FUND REVENUE	1,299,500	1,358,100	1,368,100	1,455,300

(1) Restricted Revenue figures may not agree with those shown in the Governor's budget due to categorical differences between the budget and accounting systems.

Special Funds

In Thousands of Current Dollars

	FY 1979 REVISED ESTIMATE JANUARY	FY 1979 REVISED ESTIMATE MARCH	FY 1980 ESTIMATE JANUARY	FY 1980 ESTIMATE MARCH
ENTERPRISE FUNDS				
Agriculture Loan Fund	300	300	300	300
Child Care Facility Loan Fund	-0-	-0-	-0-	-0-
Commercial Fish Loan Fund	100	100	100	100
Int'l Airport Revenue Fund	26,300	26,300	26,200	26,200
Medical Malpractice Loan Fund	100	100	100	100
Scholarship Loan Fund	300	300	300	300
Small Business Loan Fund	100	100	100	100
Tourism Loan Fund	100	100	100	100
Water Resources Loan Fund	100	100	100	100
World War II Veterans Loan Fund	2,700	2,700	3,500	3,500
TOTAL ENTERPRISE FUNDS	30,100	30,100	30,800	30,800
SPECIAL REVENUE FUNDS				
Alaska Permanent Fund	75,200	80,255	90,700	112,059
Federal Revenue Sharing Fund	7,900	7,900	7,900	7,900
Fish & Game Fund	8,800	8,800	8,800	8,800
Marine/Coastal Damage Fund	100	100	500	500
School Fund	2,800	2,800	2,800	2,800
Training & Building Fund	300	300	300	300
TOTAL SPECIAL REVENUE FUND	95,100	100,155	111,000	132,359
TOTAL SPECIAL FUNDS	125,200	130,255	141,800	163,159

MEMORANDUM

State of Alaska

TO: House Finance Committee

DATE: March 14, 1979

FILE NO:

TELEPHONE NO:

FROM: Niel Thomas
Executive Director
Alaska State Commission for
Human Rights

SUBJECT: Summary of Human Rights Commission Budget Request

The Human Rights Commission enforces Alaska's laws against discrimination, as required by the state Constitution. The laws cover employment, housing, public accommodations, credit and government services. The laws apply with equal force to the State and political subdivisions. The Commission's major activity is investigating and resolving discrimination complaints filed by individuals based upon race, sex, national origin, religion, age and physical handicap. Four out of five complaints deal with employment issues. The Commission's Director initiates complaints and investigates when broad discriminatory practices are brought to his/her attention. The Commission has the authority to issue court-enforceable orders, after a public hearing, to stop discrimination and provide remedies to victims. The Commission also teaches people what their rights are under the law and how to avoid complaints.

There are field offices in Juneau, Anchorage and Fairbanks which handle complaints from individuals across the state. The headquarters office in Anchorage has a "systemic unit" with statewide responsibility for cases which affect large groups of people.

The Executive Director and the Administrative Assistant and her clerk are the only general management personnel in the agency. All other staff work directly on cases and related educational programs. The Commission's contractual budget (line 380) reimburses the Department of Law for the half-time secretary and attorney who represents us in court and provides general legal advice.

Federal funds: The Federal employment discrimination law requires the Federal agency, EEOC, to adopt what the Commission does with each Federal case, in most instances. The EEOC has no office in Alaska; thus, the Human Rights Commission almost always acts as the Federal agent here. That same Federal law authorizes the EEOC to reimburse state costs: the formula now in effect gives us about $350 for each case we close which the EEOC accepts under Federal law. This support has constituted about 10% of the Commission's budget in the past five years and supports five permanent positions, even though the state is, in effect, being paid for work it would have to do anyway. These funds have been approved by Revised Program in the past; this year for the first time we are requesting approval as part of the FY'80 budget. That is why there are five "new" positions in the Governor's budget even though all these positions now exist. Your approval of these continuing Federal funds, therefore, will not expand our activities or the size of our staff. These positions are altogether different from other new position requests discussed below.

Attachment #4

3/27/79

02-001 (Rev. 5/75)

Complaint volume: Although the Legislature approved some budget increases in FY'76 and '77, the Commission was never staffed adequately to deal with the volume of complaints it received during the Pipeline. A backlog developed which is gradually being cleaned out. Here are figures on complaint activity since 1974 when the Commissioners installed new management:

	1974	1975	1976	1977	1978
Cases open on January 1	297	408	614	790	752
Complaints filed	300	618	762	600	371
Complaints resolved	189	412	586	638	523
Open cases on December 31	408	614	790	752	600

We reduced the number of cases filed in 1978 by adopting stricter acceptance standards. The filing rate also reflects the downturn in the economy. Fewer jobs are coming open so there are fewer opportunities for discrimination. Still, as of 1/1/78, 62% of the 600 open cases had been filed more than a year earlier, and 28% had been filed two years earlier.

The Commission believes that its permanent professional staff is large enough to substantially reduce this backlog between now and the end of FY'80. We are not asking for more professionals, therefore.

Funding increases: We have asked for $82.0 to add four clerical positions. Each field office has only one permanent clerical, on Federal funds, to carry the output of as many as six people. The attorney who carries a load of 61 cases at hearings has to share the secretary who works for the Executive Director and seven Commissioners.

The Commission also requested $73.1 to add one trainee, or "investigative assistant" to each field office. These people would take on a multitude of routine assignments which investigators now perform.

If the Legislature were to approve these six new positions, the Commission projects that it could shave 124 more cases off its backlog by the end of FY'80 than it could under a continuation budget. Looked at in cost-per-case terms, it would cost $1792 per case closed with the FY'80 continuation budget (including Federal funds). The extra 124 cases we believe we could do with the clerical workers and assistants, however, would cost $542 less, ($1250 per case), because of the efficiency this move would create.

The Anchorage field office is a disgrace to the state with its crowded conditions and dilapidated desks and chairs. It should be moved and re-equipped, at a cost of $28.8 in equipment and increased rent.

The Governor is not supporting any of the foregoing funding increases.

Rural contracts: We have already been questioned by several legislators on our rural contracts program, since rural organizations have been voicing their support. We are demonstrating a model for how the state can carry out a program in rural Alaska more effectively and at less cost by contracting with institu-

3/27/79

tions which are tied to rural Alaska. We freed up funds for this experiment in FY'79 by closing our office in Barrow and abolishing the position there. Now, instead of trying to maintain expensive offices or legging state employees all over, we are carrying out our education, research and complaint screening responsibilities through local people who work for rural organizations in Bristol Bay, the Aleutian-Pribilof area and the area around Tok. It would cost $120.0 to keep this program going with the existing contractors for a full year (and possibly expand it into other parts of the State.) The Governor's request of $47.0 would require us to cut everyone back by about two-thirds or eliminate two of the three contractors.

Proposed 15% reduction: It is not clear whether this Committee is attempting to reduce the entire budget of most agencies by 15%, or just that portion of it which is not tied up in salaries and overhead. Agency budgets differ: an agency which has 75% of its appropriation in the form of making grants, for instance, would simply reduce the grants in proportion to any cut. Another agency with most of its appropriation in salaries and overhead would have a much more difficult time absorbing a cut short of laying people off or not filling vacancies.

The Governor's Human Rights Commission general fund budget request of $994.3 consists of 85.6% fixed costs. This includes all salaries (and the Department of Law contract), statutorily required meetings of the Commissioners, and overhead (rent, equipment leases, telephone, etc.) A cut of 15% of the balance of $143.5 in "discretionary" funds would equal approximately $21.5. That would reduce funds used mostly for travel on investigations and costs of holding hearings. A backlog of cases at the hearing stage would begin to develop. That could affect our ability to settle cases at earlier stages, since respondents might bet on delay if the prospect of a hearing became less imminent.

A 15% cut of the total Governor's appropriation request, or $149.2, would require us not only to accept lengthy delays in filling vacancies but would doubtless involve extensive layoffs, even if we drastically reduced discretionary spending. The loss of production and public confidence in the agency would be severe just at the time when we are starting to conquer the case backlog.

If the Legislature chooses to fund the Commission's requested general fund budget of $1252.5, we could absorb a 15% cut ($21.5) in discretionary funds by delaying the date of filling the new positions and moving the Anchorage field office to September 1, 1979. That delay would not damage our case production ability.

3/27/79

HOUSE FINANCE COMMITTEE
March 28, 1979
9:20 a.m.

All members of the Committee were in attendance, except Representatives Freeman, Guy, Schaeffer and Smith. Also in attendance: Dave Scott, Budget Analyst, Legislative Finance. PRESENT

Chairman Meekins called the meeting to order and advised the Committee would begin EDUCATION budget close-outs. EDUCATION BUDGET

Dave Scott distributed to each Committee member a computer printout of guidelines for the EDUCATION budget and explained why these guidelines are different from those in other budget categories. He advised this is a compromise proposal and also what he is recommending to the Senate. He explained about salary savings and discussed the recommended reductions in Post Secondary Education. In response to a question from Representative Montgomery, he stated his recommendations total $381 million, which is a $17 million general fund increase over FY 79.

OFFICE OF THE GOVERNOR

Alaska Historical Society: Representative Rogers moved the Governor's figure in Personal Services, as there are only three positions here, and the computer recommendations for the other items. Mr. Scott pointed out the Governor has put back in the 1% veto of last year. Representative Rogers withdrew his motion.

Representative Rogers moved the legislative recommendation with INTENT that Contractual include $1.2 for a grant for a catalog of Alaskan historical publications. There being no objection, it was so ordered. INTENT

Alaska Arts Council, Administration & Support: Mr. Scott noted these people were not in to testify. Representative Duncan asked about footnote #1, and Mr. Scott explained it is a reclassification of position #3 not built in.

Representative Rogers moved legislative recommendation with that INTENT. There being no objection, it was so ordered. INTENT

Alaska Arts Council, Grants: Representative Rogers questioned the FY 79 intent on Alaska Repertory Theatre. Representative Duncan stated this was added on in the Finance Committee last year.

Mr. Scott explained he used the Governor's figure plus inflation. Chairman Meekins noted Mr. Scott held general fund constant, but the general fund match went up. Mr. Scott distributed a handout and discussed. There was discussion on the possibility of capturing more federal funds by moving some of the general fund into general fund match. Chairman Meekins requested Mr. Scott check on this and report back to the Committee. Page 9 was held OPEN. OPEN

DEPARTMENT OF ADMINISTRATION

Teacher Retirement, Regular TRS State: Mr. Scott advised this is the State's contribution to the TRS. He stated he feels the Governor's assumption of a 121/2% growth rate for both FY 79 and FY 80 in the covered payrolls throughout the State is too high. He suggested a figure based on 121/2% for FY 79 and 8% for FY 80. Representative Montgomery agreed. Representative Duncan wondered how the payroll growth on the State level would affect the district level. He stated he is not opposed to this, but doesn't want these systems to become actuarily unsound. Discussion followed, with Representative Montgomery explaining to Representative Moss that the employee, school district and State each contribute a third to TRS.

Representative Rogers moved the Governor's figure. There being no objection, it was so ordered.

The meeting adjourned at 9:50 a.m. ADJOURN

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02-001 (Rev 10/76)

STATE of ALASKA

MEMORANDUM

TO: David S. Scott, Legislative Analyst
Legislative Finance Division
Legislative Affairs Agency

DATE: March 23, 1979

FILE NO.:

TELEPHONE NO.:

FROM: Marshall L. Lind
Commissioner of Education

Marilou Madden, Director
Education Program Support
Department of Education

Gerald Hiley, Administrator
Adult & Continuing Education
Department of Education

SUBJECT: Request for Information on the Programs within the Adult Education/Vocational Training Budget

The attached information is provided to outline the activities of the Adult Education/Vocational Training budget. As you know, the budget is in the component format as follows:

01 - Adult Basic Education
03 - Adult Vocational Education
05 - Community Schools (Planning and Development)
07 - Fire Service Training
09 - CETA Vocational Education grants
11 - Grants Administration

The Alaska Skill Center has its own budget request unit.

I will address the program activities of the components, as I understand your concerns.

<u>Adult Basic Education</u> (Attachment A)

Attachment A lists the Adult Basic Education grants from FY79 and the locations served by them.

Page one of the attachment shows the programs throughout the state and the amount of funds committed to each program in FY79.

The second page shows the rural programs under each of the regional areas.

It should be noted that the basic education grant funds are awarded as a result of an R.F.P. (Request for Proposal) approach each year. The R.F.P.s are sent out to community colleges, some native corporations, some school districts, some private/non-profit corporations, and anyone else whom we find might be interested, as well as advertising in the major newspapers of the state. Upon receipt of the proposal, a team of evaluators reads them and decides which ones are the best and most cost efficient. A contract and grant are then made to that agency.

3-28-79

The funding for the program is from two sources, that being general fund and federal receipts, which must come to the state Department of Education by federal law.

Community Schools - Planning and Development funds (Attachment B)

The purpose of the Planning and Development funds is threefold; one, to help districts who do not have operational programs to do the necessary planning to be able to operate a program when they become operational. Secondly, it provides funds to districts who have already become operational to plan for redirection of their present activities, expansion of the program to other schools and/or improvement of the ongoing program. Thirdly, it provides staff training to improve the quality of the programs.

Attachment B lists the districts that have planning and development grants for FY79 and their use.

Fire Service Training (Attachment C)

Attachment C lists the programs funded during FY79 and also explains the concept and process behind the flammable liquids fire training program and the reasons for its relocation.

Alaska Skill Center

The Alaska Skill Center and the Kenai Peninsula Community College jointly requested funding from the legislature for FY79 to expand the capabilities of both programs to meet the needs of people and the oil industry. (See proposal - attachment D). A result of this funding is that both programs were expanded and a joint relationship was established which permits the sharing of equipment, instructors and students. Depending upon the students' needs and interests, they can take part or all of their program at either of the institutions, or a combination of the two.

Students can receive up to twelve college credit hours at KPCC for completing the program at the Skill Center, if they enroll in the community college's program for more in-depth training leading to an associate of arts degree.

Although this agreement is not in a formal contractual relationship, it does seem to be working well. I personally met with KPCC on March 15, 1979, on the placement of students form both programs, and it was tentatively agreed that the Skill Center would place students from both programs, since they have a placement officer. I feel this will be very beneficial to both programs as at present each may pass up placement opportunities feeling it may more appropriately be in the other's area.

Certified Staff (Alaska Skill Center)

The certificated staff at the Alaska Skill Center formed an association and requested they be able to negotiate with the State Board of Education for their contracts. The Board agreed with this procedure and has negotiated for the last several years with the teachers.

3-28-79

Last year, the Board negotiated a two-year contract with a cost of living clause and other benefits. It should be noted that the state employee's personnel rules and regulations in effect on the effective dates of the contract cover all circumstances not covered by the agreement. Since it was a two-year contract, the only item that came up for discussion for the interim years was the base of the salary schedule. In order to bring the salaries in line with and make them competetive to the school district salaries, the base was renegotiated for FY80 causing the increase above the cost of living in the FY80 budget.

Also, it must be remembered that these salaries are for twelve months or 260 days, rather than the ususal school contracts of nine months or 180 days.

For more information, refer to the attached salary schedule for FY79 and FY80 (attachment E)..

I hope this information answers your concerns on the Adult Education/ Vocational Training budget. If additional information is needed, please contact us.

3-28-79

Attachment A
Adult Basic Education

3-28-79

Program	Local	Regional	Other	Enrollment FY'78	Funding FY'79
Alaska Skill Center			X	298	$ 15,000
Aleutian Pribilof Island Assoc.			X	12	11,833
Anchorage Community College	X			797	183,380
Cook Inlet Native Association	X			77	7,950
Eagle River College Center	X			75	10,600
Fairbanks (Adult Learning Programs of Alaska)	X	X		1025	131,970
Haines School District	X			18	7,600
Juneau-Douglas Community College	X	X		447	163,655
Kawerak Native Corporation (Nome)	X	X		348	70,115
Kenai Peninsula Community College	X			80	7,950
Ketchikan Community College	X			104	10,063
Kodiak Community College	X	X		222	66,780
Kuskokwim Community College (Bethel)	X	X		342	145,220
Prince William Sound Community College	X			98	27,485
Sitka Community College	X			69	10,000
TOTALS				4012	869,602

796

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Regional Program	Sites Served			
Fairbanks	1. Tanacross	6. Nulato	11. Anvik	16. Nikolai
	2. Tok	7. Koyukuk	12. Grayling	17. Shageluk
	3. Beaver	8. Kaltag	13. Holy Cross	18. Takotna
	4. Tanana	9. Huslin	14. Lime Village	19. Telida
	5. Nenana	10. Galena	15. McGrath	
Juneau-Douglas Community College	1. Angoon	6. Petersburg		
	2. Craig	7. Tenakee Springs		
	3. Hoonah	8. Yakutat		
	4. Kake			
	5. Metlakatla			
Kawerak Native Corporation	1. Angoon	6. Shaktoolik	11. Wales	16. Teller
	2. St. Michael	7. Shishmaref	12. Golovin	
	3. Stebbins	8. Brevig Mission	13. Little Diomede	
	4. Elim	9. Koyuk	14. Shaktoolik	
	5. White Mountain	10. Gambell	15. Savoonga	
Kodiak Community College	1. Larsen Bay	6. Akliok		
	2. Old Harbor			
	3. Karluk			
	4. Port Lions			
	5. Ouzinkie			
Kuskokwim Community College	1. Akiachak	6. Kongiganak	11. Stony River	
	2. Aniak	7. Chefornak	12. Kipnuk	
	3. Emmonak	8. Kasigluk	13. Tuntutuliak	
	4. Chevak	9. Quinhagak	14. Eek	
	5. Napakiak	10. Atmautluak	15. Chuathbaluk	

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Attachment B
Community Schools

COMMUNITY SCHOOLS PLANNING AND DEVELOPMENT GRANTS

DISTRICT	AMOUNT
Anchorage	$15,730
Adak	4,650
Annette Island	3,576
Bering Straits	13,115
Copper River	3,440
Cordova	5,000
Dillingham	3,895
Haines	3,110
Iditarod	4,496
Juneau	5,836
Kake	1,043
Kenai	5,100
Klawock	2,500
Lower Yukon	5,000
Matanuska-Susitna	6,295
Nome	5,041
Southwest	5,967
Pribilof	29,820

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FY'79 Community Education Planning/Development Grants

STRICT	AMOUNT	TYPE	NO. OF YRS. ON FORMULA	MAIN THRUST OF GRANT
ak	$ 4,650.00	development	3	training of existing personnel to update and further develop program
chorage	13,418.00	development	4	training of 21 community school coordinators; to develop agency cooperation workshop; to further develop/train community school councils/associations
nette Island	3,576.00	development	2	training of existing personnel
ring Straits	13,115.00	development	2	provides for person to work with community education in eight villages
rdova	5,000.00	planning	first	overall planning process for the expansion of the community education program
llingham City	3,895.00	development	3	training for existing personnel in order to further develop program
ines	3,110.00	development	4	main thrust at training of coordinator and director to develop program
litarod	4,496.00	development	3	to gather and provide community education staff from nine villages the skills necessary to further program
neau	5,836.00	development	3	to develop an agency team approach to meeting community education objectives of Juneau; training of staff
ake	1,043.00	development	2	provide community education employee the opportunity to attend training sessions
enai	5,100.00	development	4	to provide necessary in-service/workshop training to enable community school directors, administrators, and community members to more effectively carry out the community education concept in their respective areas
ower Yukon	5,000.00	planning	first	to train personnel and plan for expansion of community schools programs to village sites
atanuska-Susitna	6,295.00	development	3	for planning of new community school site; development of existing sites; staff training; and council involvement in the process of community education

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STRICT	AMOUNT	TYPE	NO. OF YRS. ON FORMULA	MAIN THRUST OF GRANT
me City	5,041.00	development	3	to increase local awareness in Nome and other participating districts of what community education is, how it can best be developed within their own communities and the function/role of the community advisory council in this process
uthwest Region	5,967.00	development	3	to initiate and secure training for members of community school committees, regional board members, local school teachers, qualified village community education workers/trainees and the district coordinator; to expose the community education efforts and ideas of the existing programs to other target villages for expansion purposes
pper River	3,440.00	development	2	training of existing community education personnel in district in order to develop entire program
ibilof	29,820.00	development		to accomplish objectives as established by statewide task force (see attached information)

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The DOE Fire Service Training Program funds a number of training projects through the Community Colleges each fiscal year. Some of these are in support of local fire science degree programs but most are projects conducted by FSTP through, and with the cooperation of the colleges. The following is a breakdown of training projects for FY79 with an explanation of each.

ANCHORAGE COMMUNITY COLLEGE:

G95803	Fire Science Program, Instructor salaries & support	$10,000.00
G95801	Instructor Training Course, Instructor fee & student travel. Sponsored by FSTP	$ 5,071.00
G95802	Management OverView Course conducted by NFPCA under sponsorship of FSTP for fire officers	$ 8,525.00
G95804	NFPA Hazardous Materials Course, classroom rental and student travel	$ 9,185.00
	Total:	$32,781.00 encumbered
	Community College Pro.	$10,000.00
	FSTP Programs:	22,781.00

TANANA VALLEY COMMUNITY COLLEGE:

G96801	Fire Science Program, Instructor Salaries & support Community college program.	$ 5,000.00

JUNEAU/DOUGLAS COMMUNITY COLLEGE:

G95902	Emergency Medical Services Course, both general purpose and fire science (FS-120), Instructor salaries and support.	$ 4,629.00
G95901	Alaska Fire Service Training Standards Workshop. review of draft materials for standardized training on a statewide basis, Participant travel and support	$ 5,445.00
	Total:	$10,074.00 encumbered
	Community College Program:	$ 4,629.00
	FSTP Programs:	$5,445.00

SITKA COMMUNITY COLLEGE:

G94201	Fire Science Program, Instructor salaries & support	$ 1,729.00

KETCHIKAN COMMUNITY COLLEGE:

G96101	Fire Science Program -- Cancelled	$ 1,623.00 CANCELLED

TOTAL OF PROGRAM FUNDS ENCUMBERED FOR COMMUNITY COLLEGE PROGRAMS: $ 21,358.00

TOTAL OF PROGRAM FUNDS THROUGH COMM. COLL. FOR FSTP PROGRAMS: $ 28,226.00

NOTE: These figures represent encumbrances only.

The Fire Service Training Program partially supports the Community College Fire Science Program because it represents a source of professional development for fire

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servcie pers nel and encourages recognition of the professional aspects of the fire service. The State, in cooperation with the Community Colleges, University of Alaska, and the Fire Service, encourages development of professional fire officers and other personnel regardless of whether they be fully paid or volunteer personnel. All other FSTP training projects are funded in term of grant awards to individual fire departments or non-profit associations or agencies concerned with the training and education of fire service personnel.

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FIRE SERVICE TRAINING GRANTS

GRANTEE	AMOUNT
Fairbanks Firefighters Union	$ 4,050.00
Anchorage Community College	5,071.00
Anchorage Community College	8,525.00
Alaska State Firefighters	2,695.00
Glacier Volunteer Fire. Dept.	2,000.00
Kenai Peninsula Comm. College	4,461.00
Anchorage Community College	10,000.00
Juneau-Douglas Comm. College	5,445.00
Juneau-Douglas Comm. College	4,629.00
National Fire Protection	10,500.00
Dept. of Public Safety	4,000.00
Sitka Community College	1,720.00
Anchorage Community College	9,185.00
Anchorage Municipal Fire Dept.	1,000.00
Tanana Valley Comm. College	5,000.00

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REGIONAL CONCEPT OF FLAMMABLE LIQUIDS FIRE TRAINING

The first flammable liquids fire school was established for the State Fire Training Program at the industrial oil fire training facility at Kenai in 1971. This school provided training directly to fire officers and firefighters from throughout Alaska for several years. There were two basic problems encountered:

1. No fire department located any distance from Kenai could send more than one or two firefighters to the school in any one year which had little effect on raising department-wide proficiency levels in this type of training. The cost of travel and distance was too much.

2. Because of the administrative requirements in Kenai the cost to the State for operation of the school was too high and we were forced to look for some other method of conducting the school.

In addition to the above the fire service had requested that we consider regionalization of our schools to make them more accessable to the fire departments in terms of shorter travel distances and less cost. Also about this time, 1973, several events occurred within the Kenai municipal government which made continuation of the oil fire program extremely difficult for us and it was abandoned after three schools and transferred to Skagway in June, 1973.

A temporary regional oil fire training ground was established in Skagway in 1973 with the support of the city and fire department of Skagway. That school was operated for fire service personnel from Ketchikan to Cordova for several years at a greatly reduced cost. After 1976 the Skagway fire department was unable to provide the support necessary and, since the Regional Fire Service Training Center Program was underway, the school was closed until it could be established in Juneau after construction of the SE Alaska Regional Training Center. This Center is slated for construction during 1979-80 and the oil fire school will be reactivated there. Transportation was also a problem.

The Supervisor of Fire Service Training attended a meeting of Kenai Community College personnel, representatives of the petroleum industry and the Alaska Oil and Gas Association during the fall of 1978. The purpose was a joint effort to reestablished the Kenai school on the campus of the community college because its present location was no longer acceptable. As part of that plan we agreed to try to budget funds for construction of whatever training props we felt would be necessary specifically for the training of fire service personnel as opposed to that required for industrial personnel. In addition we intended the Kenai facility to serve the South Central Regional Fire Training Center presently under construction in Anchorage. This was because of the difficulty of conducting hot drills at the Anchorage site.

SUMMARY: The training concept with regard to flammable liquids training remains regional. Such capability will ultimately be associated with each of the five training regions of the State to a greater or lesser degree, depending on regional requirements. The primary purpose is to reduce travel distances for firefighters and to match the programs to regional characteristics and requirements as much as possible. An example of this will be the SE Alaska Center at Juneau where the emphasis will be on marine fire training aspects of flammable liquids firefighting.

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Attachment D
Alaska Skill Center

JAY S. HAMMOND, GOVERNOR

DEPARTMENT OF EDUCATION

DIVISION OF EDUCATIONAL PROGRAM SUPPORT

POUCH F - STATE OFFICE BUILDING
JUNEAU 99811

March 7, 1978

This proposal for funding, jointly presented by the Alaska Skill Center and the Kenai Peninsula Community College, will provide entry level training for every phase of the petroleum industry, from exploration through refining and transportation. The industry has evidenced support by hiring virtually 100% of Alaskan graduates from KPCC and ASC, since the program's inception in 1972. Every major Alaskan producer has hired from KPCC graduates. Moreover, the industry has supported the programs by donations exceeding $500,000 to date.

This funding proposal addresses various deficiencies, including job research, curriculum development and purchase of major equipment needed to allow the state to be self-sufficient in terms of training opportunities.

There is no shortage of qualified personnel outside the state. The Alaskan oil fields are among the most lucrative job sites in the nation in terms of wages and working conditions. In order to allow our people every opportunity to get these jobs, we must provide up-to-date, extensive training. Most Alaskans do not have prior oil field exposure, so the programs must provide even the most basic education, which residents of many other states have by exposure. Additionally, the Alaskan oil fields are the most technologically advanced in the world, requiring training above and beyond what would be sufficient in other areas.

The institutions involved have proven their ability to produce employable graduates entering the business at every level.

Funding this proposal will allow additional students an educational opportunity, provide for some future development within the training institutions and demonstrate the state's commitment to making Alaskans competitive in this most attractive job market.

This request has the endorsement of the KPCC Petroleum Advisory Board (membership list attached), which acts in an advisory capacity for all petroleum-related training at ASC and KPCC.

05-E14LH

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BUDGET BREAKDOWN

	Kenai Peninsula Community College		Alaska Skill Center	
Request 1				
Travel and Release Time	$5,000			$5,000
Two Instructors	72,200			64,000
	$77,200			$69,000
Request 2				
Petroleum Lab	$45,000			
Request 3				
Instructional Materials	$10,800			$10,800
Request 4				
Production Plant	9,000		Well Head	2,500
Refinery Pipestill	18,700		BOP Package	14,500
Inst./Control Room	7,500		Wireline Reel	6,500
			Rig Up	20,000
	35,200			43,500
Request 5				
Machine Tools	$39,729			
Totals	$207,929			123.3

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INDUSTRY PARTICIPATION

Petro.	Thousands $	Tech.	
BP	120.00	Scholarship Program	
ARCO	5.0	Scholarships	
ARCO	5.0	Scholarships	
ARCO	6.0	Audio Visual Equipment	
ARCO	6.8	Machine Tools	
VE Const.	14.2	Welding Supplies	ASC
Amoco	13.8	Tankage - Mud Tank	ASC
Amoco	19.0	16 pcs. 9 5/8" 33 pound casing	ASC
Various	85.0	Instrumentation	
J. Cassidey	160.00	Emsco 96 Drilling Rig	ASC
Various	4.5	Steel	
Union, CA	1.0	Valving	
Marathon	1.5	Audio Visual Library	ASC
Marathon	1.5	Scholarship	
Collier Carbon	0.5	Benchwork	
Collier Carbon	1.5	Instrumentation	
Various	40.0	Ind. Fire Grounds	
Alyeska	30.0	Instructional Support (contract)	
BP	25.0	Instructional Support (contract)	
Collier Carbon	15.0	Instructional Support (contract)	
Shell	0.5	Totalizers	
Alyeska	0.5	Benchwork	
API	0.6	Scholarships	
STD of CA	2.5	Copus Steam Turbine	

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Marathon	1.8	Bell Pumps
STD of CA	3.0	Pumps and Drives
Various	2.30	30 hours helicopter time @ $75 ASC
BF	0.8	Safety Gas Detectors
BP	5.0	10 Instructor Trips, PBF
Alyeska	0.4	1 Instructor Trip, PS8
	573.7	

208.5 --- ASC

365.2 --- KPCC

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Attachment E

FY79 SALARY SCHEDULE
Yearly
(78-79 School Year)

	B.A. V.C.	B.A.+ 09 V.C.+ 12	B.A.+ 18 V.C.+ 24	V.C.+ 48 M.A. B.A.+ 36
0	19704	20493	21282	22071
1	20493	21282	22071	22860
2	21282	22071	22860	23649
3	22071	22860	23649	24438
4	22860	23649	24438	25227
5	23649	24438	25227	26016
6	24438	25227	26016	26805
7	25227	26016	26805	27594
8	26016	26805	27594	28383
9	26805	27594	28383	29172
10	27594	28383	29172	29961
11	-	-	29961	30750
12	-	-	30750	31539

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FY80 SALARY SCHEDULE
Yearly
(79-80 School Year)

	B.A. V.C.	B.A.+ 09 V.C.+ 12	B.A.+ 18 V.C.+ 24	V.C.+ 48 M.A. B.A.+ 36
0	23581	24524	25467	26410
1	24524	25467	26410	27353
2	25467	26410	27353	28296
3	26410	27353	28296	29239
4	27353	28296	29239	30182
5	28296	29239	30182	31125
6	29239	30182	31125	32068
7	30182	31125	32068	33011
8	31125	32068	33011	33954
9	32068	33011	33954	34897
10	33011	33954	34897	35840
11	-	-	35840	36783
12	-	-	36783	37726

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HOUSE FINANCE COMMITTEE
March 28, 1979
1:45 p.m.

All members of the Committee were present except Representatives Schaeffer and Freeman. Arriving later in the meeting were Representatives McKinnon and Haugen. Also present were Bill Thompson, Department of Education; and Dave Scott, Legislative Finance Division.

PRESENT

Chairman Meekins called the meeting to order. Discussion continued on close-outs of the EDUCATION category.

EDUCATION CATEGORY BUDGET CLOSE-OUTS

DEPARTMENT OF EDUCATION

Financial Support Programs, Pupil Transportation-Public: Representative Rogers said there is a problem in some districts with transportating private school students on the buses. He explained the problem, and said the problem affects Fairbanks and Kodiak where they are reimbursed on a per pupil mile basis. He requested that this BRU be held open for one additional day so he could see if an additional $377.0 needed to be appropriated. There was discussion. Mr. Scott suggested closing this BRU out and leaving Pupil Transportation-Private open. Representative Rogers stated he would like to include both public and private in the same component. There being no objection, the component was held open.

(Representative McKinnon arrived at this time.)

Financial Support Programs, Debt Retirement-Local: Representative Rogers moved to accept the legislative recommendation shown on the computer print-out. There being no objection, it was so ordered.

(Representative Haugen arrived at this time.)

Financial Support Programs, Student Lunch Porgram: Chairman Meekins moved to accept the legislative recommendation shown on the computer print-out. There being no objection, it was so ordered.

Fine Arts Camps: Representative Duncan explained how the Fine Arts Camps had been funded in the past. He said the money should have been included in the budget but was inadvertently left out. He advised he would like to include the funds at this time. Representative Duncan moved to add $10.0 for the Kings Lake Camp at Anchorage, $25.0 for the Southeast Regional Art Camp at Sitka; and $25.0 for the U. of A. camp, for a total of $60.0. He further moved that intent be included indicating where the funds are to go. There being no objection, it was so ordered.

Financial Support Programs, Tobacco Tax Distribution: There was discussion on the tobacco tax. Chairman Meekins moved to accept the legislative recommendation as shown on the computer print-out. There being no objection, it was so ordered.

Financial Support Programs, Local Formula-REAA: Mr. Scott explained this is where he has offset the FY 78 year end surplus against the REAA's. There was discussion. Chairman Meekins stated the problem here is that the surplus is based on 1978, so the figures are more than a year old. There was further discussion on the year end surplus and some of the reasons the REAA's would have such surpluses. Representative Moss stated they don't have any accurate figures of what the funding actually was at the end of the year. He said there may no longer be a surplus. He said he didn't believe they should decrease the budget by that large an amount without more accurate information. He requested that this component be held one additional day so he could have time to come up with more concrete information. There was further discussion. Chairman Meekins commented they have cut other necessary projects down to the "bare bones", and now they have this program which has a surplus, so he thinks some of the funding should be cut. Representative Montgomery said the problem with cutting is that they don't know which districts need what. He suggested funding the REAA's at 85%, and giving the other 15% to the Department of Education to distribute if the district can justify the need. There was further discussion among Committee members. Representative Haugen suggested holding this an additional day as Moss suggested. Representative Moss said he would like to know what the fund balances are right now. Representative Haugen suggested this was an area that should be looked at in great detail over the Interim. There was further discussion. Representative McKinnon said the Committee has been taking "fat out of programs that don't have any fat", and in this program he sees fat, and Committee members are saying it shouldn't be cut. He said he thinks they should take at least one-half of the surplus. There was further discussion. The component was held for an additional day.

Financial Support Programs, SOS ASHA Payments: Representative Rogers moved to accept the legislative recommendation as shown on the computer print-out. There being no objection, it was so ordered.

Financial Support Programs, Bilingual Fund: Representative McKinnon moved to accept the legislative recommendation of zero. There was discussion. Mr. Scott said he believes the $5.8 million in the foundation program for the bilingual program should be sufficient, and he doesn't believe they also need this amount. The question was called for. Representatives Smith and Guy objected. The motion carried with seven in favor.

Financial Support Program, Regional Resource Centers: Mr. Scott said he thinks these Centers should be self supporting, and he suggested beginning to phase them out in FY 80. There was discussion. Representative Duncan stated he believes the districts that participate in this program need the funds. He said if they are deleted it will affect the local budgets. Representative Montgomery asked what would happen to the Centers if they were to be cut. Mr. Thompson, Department of Education, said the Western Regional Center and the Northwest Regional Center may have problems. Representative Rogers said he agreed with the idea of gradually phasing out the funding, but the 42% decrease recommended is pretty hefty. He moved to accept the figure of $300.0 for this component, which is a 15% decrease from last year. Representative Duncan commented that school budgets have already been set, so he didn't think there should be a decrease without any advance notice to the districts. There was further discussion. Representative Montgomery moved to amend the motion to cut $100.0 from their request, for a total of $250.0. The question was called for. Montgomery and Meekins were in favor of the amendment. The amendment failed. The question on the main motion was called for. Montgomery objected stating that figure was too high. Seven in favor, with Duncan abstaining. The motion carried. Representative Rogers moved to include legislative intent directing the Department of Education to develop a schedule for phasing out the Regional Resource Centers. There being no objection, it was so ordered.

A recess was called at 3:04 p.m. and Chairman Meekins recalled the meeting to order at 3:30 p.m.

Financial Support Programs, Federal Programs: Representative Rogers moved to accept the figure of $11488.5. There being no objection, it was so ordered.

Financial Support Programs, Tuition Students: Mr. Scott advised he has included the revised estimate by the Department in the legislative recommendation. There was brief discussion. Representative Rogers moved to accept the legislative recommendation shown on the computer print-out ($3.9 million). There being no objection, it was so ordered.

Financial Support Programs, Boarding Home Grants: Mr. Scott advised he has included the department's revised estimate in the legislative recommendation. There was discussion. Representative Montgomery moved to accept the recommended figure of $1.9 million. There being no objection, it was so ordered.

Financial Support Programs, State Contract Programs: Mr. Scott advised he is recommending not applying general funds to this program, but using only the federal funds. He said this could mean a pro ration of funds. There was brief discussion.

Representative Moss moved to accept the legislative recommendation. Representative Rogers objected and asked why general funds are being included. Mr. Scott advised their request is based on anticipated growth in the units. He said the Department estimates costs will be greater but federal funds will not be increased. There was further discusstion. The question was called for. Duncan and Rogers objected. The motion carried with seven in favor.

Financial Support, RSVP: Mr. Scott said he understands the Governor will be amending his request on general funds here, but he hasn't done so yet. There was discussion. Representative Rogers moved to accept the figure of $700.0. There being no objection, it was so ordered.

Administration & Program Support, Administrative Services: Mr. Scott said the legislative recommendation follows the guidelines he proposed to the Committee. Representative Duncan asked if positions 1 and 4 in the short form are presently filled. Mr. Scott said yes, these are the C.I.P. positions they are requesting be changed to general funds. There was discussion on the CIP positions and how they will be handled in the budget. Chairman Meekins recommended they not make any decision on the C.I.P. positions until Representative Freeman comes back with his recommendation of how they will be handled in the Transportation category, so all C.I.P. positions in the budget will be handled in the same manner. He moved to accept the legislative recommendation with the understanding that the C.I.P. positions would be taken care of in the manner recommended by Freeman. There being no objection, it was so ordered.

Administration & Support, Financial Accounting & Audit: Mr. Scott said the legislative recommendation follows the guidelines he proposed to the Committee. Representative Rogers moved to accept the legislative recommendation figure shown in the computer print-out. There being no objection, it was so ordered.

Administration & Support, General Overhead: Mr. Scott advised the legislative recommendation reduces the data processing charge back. He said he took out $40.0 which did not have any back-up and the $220.0 for upgrade. Chairman Meekins moved to accept the legislative recommendation shown in the computer print-out. There being no objection, it was so ordered.

Foundation Program Components, Student Administration Support: Mr. Scott advised this is the other half of the funding for REAA's. He advised he has recalculated the figures based on the statutory increases, and that figure is the legislative recommendation. Representative Rogers moved this BRU be held open pending a decision being made on REAA's. There being no objection, it was so ordered.

Foundation Program Components, Special Education Adjustments: Mr. Scott advised the legislative recommendation is his recalculation of the figures based on the statutory increases. Representative Rogers moved to accept the legislative recommendation as shown in the computer print-out. There was discussion. There being no objection to the motion, it was so ordered.

Foundation Program Components, Vocational Ed. Adjustments: Representative Rogers moved to accept the legislative recommendation as shown in the computer print-out. There being no objection, it was so ordered.

BIA Transfer Units: Mr. Scott recommended zeroing this BRU out. He said if the funds are needed, it could be handled through the foundation program. Representative Montgomery moved to accept the legislative recommendation shown in the computer print-out (0). There being no objection, it was so ordered.

Foundation Program Components, Correspondence Study-DOE: Mr. Scott said he is recommending a change in policy for correspondence study. He is suggesting limiting the foundation program to the current year. He said they are not allowing for any growth in the other foundation programs, so he would recommend following the same policy here. There was discussion on the new positions. Chairman Meekins moved to accept the total number as indicated in the legislative recommendation but to not allow the new positions, and to transfer the amount related to the new positions from personal services to contractual. There being no objection, it was so ordered.

Foundation Program Components, Correspondence Study-Local: Representative Rogers moved to accept the legislative recommendation as shown in the computer print-out. There being no objection, it was so ordered.

Foundation Program Components, Community Schools Adjustments: Mr. Scott said he is suggesting an increase in the community schools program, and he is also suggesting that a matching requirement be set up --at least 20% local expenditure. There was brief discussion. Representative Duncan moved this component be held open. There being no objection, it was so ordered.

Foundation Program Components, Bilingual Program Adjustment: Representative Rogers moved to accept the legislative recommendation as shown in the computer print-out. There being no objection, it was so ordered.

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3/28/79

CORRECTION

THIS DOCUMENT
HAS BEEN REPHOTOGRAPHED
TO ASSURE LEGIBILITY

Foundation Program Components, Special Education Adjustments: Mr. Scott advised the legislative recommendation is his recalculation of the figures based on the statutory increases. Representative Rogers moved to accept the legislative recommendation as shown in the computer print-out. There was discussion. There being no objection to the motion, it was so ordered.

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Foundation Program Components, Community Schools Adjustments: Mr. Scott said he is suggesting an increase in the community schools program, and he is also suggesting that a matching requirement be set up --at least 20% local expenditure. There was brief discussion. Representative Duncan moved this component be held open. There being no objection, it was so ordered.

Foundation Program Components, Bilingual Program Adjustment: Representative Rogers moved to accept the legislative recommendation as shown in the computer print-out. There being no objection, it was so ordered.

Museums: Mr. Scott said the legislative recommendation follows his proposed guidelines except he is also recommending accepting the Conservator position and including a grants budget in the amount of $50.0 to provide grants for small museums in the State. Discussion. He explained the position (#1 in the short form) has been funded by federal funds for the past few years, and the grants program has been a legislative recommendation for the past two years which has been vetoed by the Governor. There was discussion on the position. Representative Moss moved to accept the legislative recommendation as shown in the computer print-out. There being no objection, it was so ordered.

The meeting adjourned at 4:20 p.m. ADJOURN

Tape HFC 79-90 Side 2 #720 to end
79-91 Side 1 #001 to end
Side 2 #001 to end
79-92 Side 1 #001 to 563

3/28/79

HOUSE FINANCE COMMITTEE
March 29, 1979
9:10 a.m.

All members of the Committee were in attendance, except Representatives Haugen, McKinnon, Moss and Scheaffer. Also in attendance: Russ Clark, Director of Administration, Department of Fish and Game; Bob Grogan, Budget Analyst, Legislative Finance Division. PRESENT

Chairman Meekins called the meeting to order and stated the question before the Committee is the fiscal note on HB 193. He noted the Committee reported out the Resources CS for HB 193 on March 15. He commented they would be addressing the CS (An Act relating to regional fish and game councils) and the SS (An Act relating to fish and game boards) fiscal notes. FISCAL NOTES FOR HB 193

[Representative Rogers arrived at this time.]

Russ Clark gave an overview on the two fiscal notes. He stated the primary difference between them is that one establishes boards, and the other councils. He described the functions of each.

Chairman Meekins asked for an explanation of the second page of the SS fiscal note (see attached). SSHB 193 FISCAL NOTE

[Representative Guy arrived at this time.]

Mr. Clark referred to pages 11 and 12 of the bill and discussed the assumptions for staffing. He then explained the travel and per diem assumptions. In response to a question from Chairman Meekins, he stated the current board meets about 10 weeks during the year--each board. He explained the Master Fisheries Board meets 10 weeks during the year, and the Master Game Board meets half that amount or 5 weeks. He added then there are joint board meetings where these boards meet together. He stated the total number of meeting days within the Department would increase, but the length of meetings may decrease. In discussing meetings, he advised it is the public input that takes the time, not the decision-making. In response to a question from Chairman Meekins, Mr. Clark stated the overall increase would be at least 50%. He stated $12.0 was taken out of the bill for per diem, which reduces it by a third.

In discussion departmental costs, Mr. Clark advised one of the major factors is that the Department will have to go to all the regional board meetings. He explained the cost of 27 people to go to each board meeting. In response to a question, he advised the 27 people represent support people, game people, FRED people, etc.

Representative Rogers asked if the Department has considered teleconferencing, and Mr. Clark indicated no, just regular meetings with the Department providing the full support as required by the bill.

Representative Moss asked if there were federal funding available, and Mr. Clark explained the federal funds received within the Department have limited uses. He stated they can be used for research and management, in terms of field management, but they cannot be used for administrative regulation or things like that. He advised the feds have set up a strict procedure for determining how these federal funds are used.

Chairman Meekins stated two things would reduce this figure; one would be by reducing the 27 people or by getting away with a few less meetings. Representative Rogers discussed using the assumption of 18 people and 11 meeting days. He noted 30% would be saved by teleconferencing. Mr. Clark reminded that these people are providing resources to the board.

Explaining new positions, Mr. Clark advised, basically, these are what the Department feels should be required to interface with the six regulatory boards. He stated they are currently only staffed to handle five regions. He commented the regulatory process requires a great deal of time. He described the duties and functions of each position. He discussed how much more it would cost providing staff to accommodate six regions instead of five, as this is so very time consuming.

Representative Rogers stated, if they used his figures as previously discussed, they could reduce departmental cost \$200.0. Mr. Clark reminded there is also still going to be the master board, which has to review all the conflicts between the various regions.

Representative Rogers stated he feels Department of Law support could be cut by 80%, the same as departmental cost. Chairman Meekins noted the current budget request is \$400.0. Mr. Clark advised \$100.0 is for the support of the advisory committee cost; pays travel only, no per diem. He stated he used \$100.0 plus for salaries and staff and, basically, has reduced by 50% the travel for the advisory board.

The Committee now addressed the CS for SSHB 193. Mr. Clark advised the costs of doing this are a lot cheaper, but they do not have the regulatory authority. He stated the councils would primarily work in a coordinating or advising capacity. He stated this primarily provides per diem to the 58 committee chairpersons. He discussed the base level of the advisory committee, indicating statewide, there are 58 advisory committees, and if all positions on the committees were filled, you are talking about 750 persons. CSSSHB 193 FISCAL NOTE

Chairman Meekins noted the Committee previously reported out the CS, but added the House would be considering both this morning.

Chairman Meekins stated he feels the information provided in the CS fiscal note is better and moved to reduce this by one-third. Representative Rogers objected. Brief discussion followed, with Mr. Clark pointing out the bill says six resource specialists be provided. Chairman Meekins withdrew his motion.

The following discussion took place on SSHB 193 fiscal note: to reduce regional boards by $60.0 and Department of Law to $200.0; reduce new positions by 30% or $190.0 and using eight new positions.

REVISED FISCAL NOTE FOR SSHB 193

Chairman Meekins moved the SSHB 193 fiscal note with the following changes: departmental costs - $424.8, new positions - $450.8, and Department of Law - $200, with an offset of $225.8, making the final fiscal note $850.6. There being no objection, it was so ordered.

ADJOURN

The meeting adjourned at 10:05 a.m.

Tape HFC 79-90 Side 2 #257 - End
79-91 Side 1 #001 - #684

THE LEGISLATURE OF THE STATE OF ALASKA
ELEVENTH LEGISLATURE

FISCAL NOTE
REVISED

I. REQUEST
Bill/Resolution No. CS for SS 193
Title An Act relating to regional fish and game councils
Requested by House Resources Committee Date 3/16/79

II. FISCAL DETAIL
Agency Affected Department of Fish & Game
Program Category Affected Natural Resources
Budget Request Unit(s) Affected All

EXPENDITURES (Thousands of Dollars)

	FY 79	FY 80	FY 81	FY 82	FY 83	FY 84
100 PERSONAL SERVICES		224.7				
200 TRAVEL		196.6				
300 CONTRACTUAL		9.0				
400 COMMODITIES						
500 EQUIPMENT		6.0				
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC.						
TOTAL		436.3	436.3	436.3	436.3	436.3

FUNDING (Thousands of Dollars)

	FY 79	FY 80	FY 81	FY 82	FY 83	FY 84
GENERAL FUND		436.3	436.3	436.3	436.3	436.3
FEDERAL FUNDS						
OTHER (Specify)						

POSITIONS

	FY 79	FY 80	FY 81	FY 82	FY 83	FY 84
FULL TIME		6	6	6	6	6
PART TIME						
TEMPORARY		6	6	6	6	6

III. ANALYSIS (See Fiscal Note Preparation Instructions, Section III)

Cost estimate attache to reflect total implementation
No inflation added

IV. DATE 3/19/79 PREPARED BY Russell H. Clark
AGENCY Department of Fish and Game
PHONE 465-4120

Original: Legislative Finance ✓
cc: Budget and Management
Prime Sponsor (First Legislator Named)
Keith Specking, Office of the Governor
File

820

33-001 (Rev. 10/78)

3-29-79

COMMITTEE SUBSTITUTE FOR SS 193

Costs included in this fiscal note cover support to the Advisory Committees, Regional Councils with staff support, and Board meetings with Council and Committee involvement.

REGIONAL COUNCIL

Included here are the costs for the Advisory Committee chairpersons to attend with travel and per diem, the Coordinator with support costs, and the operational costs for the Council.

Assume

- 58 Advisory Committee Chairpersons
- 2 meetings per year
- 4 days per meeting with travel
- average travel ticket at $200.00
- per diem rate of $100.00 per day

Calculation

travel 58 x 2 x #200	=	$ 23,200	
per diem 58 x 2 x 4 x $100	=	46,400	
SUBTOTAL		$ 69.600	$ 69,600
- 6 Resource Specialists range 16 — This is in the bill	=	$188,850	
- travel and per diem (est.)	=	36,000	
- temp. support 30 man/months	=	35,850	
- contractual: rent, phone, etc.	=	9,000	
- equipment: desks, chair, etc.	=	6,000	
SUBTOTAL		$275,700	$275,700
		TOTAL	$345,300

DEPARTMENTAL SUPPORT COSTS

Included in these costs are the additional dollars for travel and per diem to give staff support to Regional Councils and the additional demands on the Boards' current staff.

Assume

- 6 regions
- 10 staff from Department per meeting
- 2 meetings per year
- 4 days per meeting
- $200.00 per travel ticket
- per diem at $55.00 per day

Calculation

travel 6 x 10 x 2 x $200	=	$ 24,000	
per diem 6 x 10 x 2 x 4 x $55	=	26,400	
SUBTOTAL		$ 50,400	$ 50,400

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- Travel and per diem of Executive Director to meet with regions.

Assume

- 2 circuits per year
- 24 days per circuit
- $1,000.00 per travel ticket per circuit
- per diem at $55.00 per day

Calculation

travel 2 x $1,000	=	$ 2,000		
per diem 2 x 24 x 55	=	2,640		
SUBTOTAL		$ 4,640		$ 4,640
			TOTAL	$ 55,040

BOARD COSTS WITH REGIONAL CHAIRPERSON

Included in these costs are travel and per diem for Regional Council chairpersons to Board or special authorized meetings.

Assume

- 6 council chairpersons
- 5 meetings per year
- 10 days average length per meeting
- $100 per day per diem
- $200 average per travel ticket

Calculation

travel 6 x 5 x $200	=	$ 6,000		
per diem x 6 x 5 x 10 x $100	=	30,000		
SUBTOTAL		$ 36,000		$ 36,000
			TOTAL	$ 36,000

GRAND TOTAL $436,340

NOTE: Possibly should be added to any bill passed on this subject.

ADVISORY COMMITTEE

Currently there are 26 Committees which operate in rural areas that receive reimbursement for travel expenses, but no per diem. To make the process work better, a limited amount of per diem should be added to reduce the financial burden to the individual.

Assume

- 26 committees receive local travel
- 390 possible member (15 x 26 = 390)
- 1/3 would travel 390 ÷ 3 = 130
- 4 meetings per year, 3 days each
- per diem at the rate of $55 per day

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Calculation

travel 130 x 4 x $100	=	$ 52,000	
per diem 130 x 4 x 3 x $55	=	85,800	
SUBTOTAL		$137,800	$137,800

- miscellaneous expenses ($100) for 58 committees

58 x $100	=	$ 5,800	
SUBTOTAL		$ 5,800	$ 5,800

- less current committee support costs ($ 95,500)

NET INCREASE $ 48,100

3-29-79

THE LEGISLATURE OF THE STATE OF ALASKA
ELEVENTH LEGISLATURE

FISCAL NOTE
REVISED

I. REQUEST
Bill/Resolution No. SS HB 193
Title An Act relating to regional fish and game boards
Requested by House Resources Committee Date 3/16/79

II. FISCAL DETAIL Department of Fish & Game
Agency Affected
Program Category Affected Natural Resources
Budget Request Unit(s) Affected ALL

EXPENDITURES (Thousands of Dollars)

	FY 79	FY 80	FY 81	FY 82	FY 83	FY 84
100 PERSONAL SERVICES		476.5				
200 TRAVEL		632.1				
300 CONTRACTUAL		65.8				
400 COMMODITIES		6.0				
500 EQUIPMENT		12.0				
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC.						
ESTIMATED LAW COSTS		250.0				
TOTAL		1,442.4	1,442.4	1,442.4	1,442.4	1,442.4

FUNDING (Thousands of Dollars)

	FY 79	FY 80	FY 81	FY 82	FY 83	FY 84
GENERAL FUND		1,442.4	1,442.4	1,442.4	1,442.4	1,442.4
FEDERAL FUNDS						
OTHER (Specify)						

POSITIONS

	FY 79	FY 80	FY 81	FY 82	FY 83	FY 84
FULL TIME		17	17	17	17	17
PART TIME						
TEMPORARY		6	6	6	6	6

III. ANALYSIS (See Fiscal Note Preparation Instructions, Section III)

Cost estimate attached to reflect total implementation.
No inflation added.

IV. DATE 3/19/79 PREPARED BY Russell H. Clark
AGENCY Department of Fish & Game
PHONE 465-4120

Original: Legislative Finance
cc: Budget and Management
Prime Sponsor (First Legislator Named)
Keith Specking Office of the Governor
File

33-001 (Rev. 10/78)

824

3-29-79