

HOUSE/SENATE FINANCE COMMITTEE MINUTES - 1967-1982 2703

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CORRECTION

**THIS DOCUMENT
HAS BEEN REPHOTOGRAPHED
TO ASSURE LEGIBILITY**

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HOUSE FINANCE COMMITTEE
January 14, 1980
1:35 p.m.

All members of the Committee were present. (Representative Schaeffer arrived later in the meeting.) Also present: Milt Barker, Fiscal Analyst, Legislative Finance; Mike Doogan, A.A. to Rep. Meekins; and members of the press.

PRESENT

Chairman Meekins called the meeting to order and presented a tentative agenda for the week of January 14 through 18. He advised there is a sign-up sheet in his office for use of the Finance Committee Room for subcommittee meetings. He said the present plan is to not have full Committee meetings in the mornings. The Committee will meet at 1:30 p.m. three or four days a week. He commented briefly on some of the subjects the Committee will be considering this year.

COMMITTEE
SCHEDULE

Chairman Meekins requested that Milt Barker, Fiscal Analyst, Legislative Finance Division, give a brief explanation of his revenue projections. Mr. Barker presented a Memo dated 1/8/80 (Subj: FY 81 Surplus), a Memo dated 10/3/79 (Subj: Petroleum Corporate Income Tax Depreciation and the Surplus), and "Revenue Sources FY 1979-81" by the Alaska Department of Revenue (see attachments). He briefly explained the Memo's. Representative Moss asked how much money would be available as of June 30, 1980. Mr. Barker advised there will be somewhat over \$1 billion.

REVENUE
PROJECTIONS

Mr. Barker advised that his estimate for the Beaufort lease sale (1/8/80 Memo) may be as much as \$110 million high. He explained.

Mr. Barker commented on the Department of Revenue's estimates. He said that after correcting his estimates for the Beaufort lease sale, his estimate is about \$50 million over the Department's estimate.

Chairman Meekins called a recess at 2:30 p.m. and recalled the meeting to order at 2:50 p.m.

RECESS

Chairman Meekins passed out copies of HCR 33 (Requesting the Governor to direct action relating to the investment of surplus state funds and the participation of state agencies and corporations in loan programs of benefit to the state's economy.) He advised he introduced the Resolution and it has been referred to the Finance Committee. He said the purpose of the Resolution is to put \$35 million a month into mortgages and to deposit \$35 million into credit unions in the State.

HCR 33

Chairman Meekins advised that credit unions are limited to 12% interest by their federal charters. Because of the downturn in the economy their deposit base has been eroded. They are down 54% in the number of loans they are making. He said roughly one-half of the population in Alaska belongs to a credit union. There was brief discussion on credit unions.

Chairman Meekins said there are several things wrong with the Resolution as it is presently worded and he would like it to be reworked in Committee.

Representative McKinnon questioned section (3) which would waive certain statutes. Chairman Meekins said this section was incorrectly worded. What he wanted waived was not the statutes, but the regulations that were promulgated as a result of a Committee letter of intent last year. There was discussion on the regulation.

Representative Smith moved and asked unanimous consent that the Resolution state these regulations be cancelled instead of waived. There being no objection, it was so ordered. Chairman Meekins said this would be properly worded in the revised resolution.

Representative Freeman requested a list of all loan programs that are active or currently authorized, the source of funds and how much money is actually involved in the program. Representative Haugen requested the list also provide the percentage of default on loans. Mr. Doogan will provide.

Representative Duncan questioned lines 23 through 26 on page one of the resolution. Chairman Meekins explained what they tried to do here was set a time limit until legislative action has been taken to correct the problems. There was discussion.

Representative Rogers recommended the time limit be "through FY 1980". Chairman Meekins suggested it be "through FY 1980 or until appropriate legislative action has been taken, whichever comes first". There was no objection.

There was discussion on section (1). Chairman Meekins moved to delete the language "and other secured loans" on line 29. There was no objection. Chairman Meekins moved to delete "not less than" on line 28 and insert "up to". There was no objection.

Chairman Meekins advised section (1) refers strictly to residential loans. He said the loans are to be purchased from banks and private financial institutions (credit unions, savings loans) and not from AHFC and other secondaries. He moved that appropriate language to included in this section to say that. There was no objection.

Chairman Meekins moved that language be included in section (1) saying the \$35 million each month is to be taken on a "first come-first serve" basis, purchasing new loans for Alaskan residents (if it is legally possibly to include this) for residential mortgages. He explained that by "first come-first serve" he meant that mortgages are not to be purchased based on a bank's assets (as the \$50 million released to banks this summer was used). There was brief discussion.

There was discussion on what the interest rate in section (1) should be. Chairman Meekins moved that the interest rate be set at 9 1/2% to the borrower. There was no objection.

Representative Rogers commented that residents in many areas of the state cannot obtain mortgages because of insurance "red-lining". He said he wanted to make the Committee aware that he will be bringing this subject up at a later date.

Chairman Meekins agreed with Representative Rogers and said other groups discriminated against include people who are trying to "build as they go" and people buying mobile homes. He commented on the problems people have obtaining mobile home financing. He asked that he have the option of including something in this resolution to alleviate these problems if he cannot get satisfaction from other sources.

There was discussion on the word "surplus" before "state money" in section (2). Chairman Meekins recommended that if possible the word "surplus" be deleted, and that "general funds" be used instead. He said this would apply throughout the resolution. There was no objection.

There was discussion on the interest rate for section (2). Representative Rogers moved the interest rate be 9 1/2%. There was no objection.

The meeting adjourned at 3:50 p.m.

ADJOURN

Tape HFC 80-1 Sides 1 and 2
HFC 80-2 Side 1

STATE OF ALASKA

THE LEGISLATURE

BUDGET AND AUDIT COMMITTEE

FINANCE DIVISION
POUCH WF-STATE CAPITOL
JUNEAU, ALASKA 99811
PHONE: (907) 465-3795

MEMORANDUM

DATE: January 8, 1980

TO: Honorable Russ Meekins, Chairman
House Finance Committee

Honorable John Sackett, Chairman
Senate Finance Committee

FROM: Milt Barker, ^{MB}Fiscal Analyst
Legislative Finance Division

SUBJ: FY 81 Surplus

Current Legislative Finance estimates of general funds available for appropriation are:

General Funds
Available for Appropriation
(\$000)

\$5,131.9

Cash
Available for Appropriation
(\$000)

\$4,234.2

If the operating budget appropriation is 25% greater than FY 80 (the Governor is saying his submitted budget will be about 12% greater than FY 80) it would total \$1,219.4 million. If you assume a \$250.0 million capital budget you have total budget expenditures of \$1,469.4 million, leaving the following surplus available:

Surplus FY 81
General Funds
Available for appropriation
(\$000)

\$3,662.5

Surplus FY 81
Cash
Available for Appropriation
(\$000)

\$2,764.8

This being a year for bonds, the assumed capital appropriation of \$250 million may be a reasonable guess. It would be almost three times FY 80's capital budget of \$86.8 million.

004

January 8, 1980

The above estimates of revenue are based on the following assumptions:

1. (a) \$567.4 million Beaufort lease bonus revenue on state lands of which 25% goes to the Permanent Fund;
(b) No state revenue from disputed lands.
2. (a) Prudhoe oil decontrolled in increments of 4.6% per month starting January 1980;
(b) Assumed market price is \$25 per barrel through FY 81;
(c) 25% of royalty to Permanent Fund and 16% of royalty to Native Claims Fund leaves \$343.5 million to the General Fund from severance and royalty and \$143.6 million in additional corporate income tax receipts for the next 18 months.
3. Loss of \$150 million in petroleum corporate income tax receipts through FY 81 on the assumption that expensing of intangible drilling costs is permitted effective January 1, 1980. The Department of Revenue has proposed this change by regulation but it may require legislation. The Department has requested an AG's opinion to clarify this.
4. \$284 million increase in illiquid assets (loans and Alaskan CD's) in FY 80 as follows:
(a) \$90 million business loans;
(b) \$50 million to banks for housing loans;
(c) \$10 million credit union deposits;
(d) \$114 million AHFC bond guarantee;
(e) \$10 million AHFC rural housing;
(f) \$10 million AHFC mobile homes.
5. \$100 million increase in illiquid assets in FY 81.
6. No windfall profits tax on the state's royalty interest.
7. No direct investment in the gas line.
8. State petroleum corporate income tax sustained in courts.

MB:bf

STATE OF ALASKA

THE LEGISLATURE

BUDGET AND AUDIT COMMITTEE

AUDIT DIVISION
POUCH W—ALASKA OFFICE BUILDING

FINANCE DIVISION
POUCH WF—STATE CAPITOL

JUNEAU, ALASKA 99811

October 3, 1979

MEMORANDUM

TO: The Honorable Russ Meekins
Chairman, House Finance Committee

FROM: Milt Barker, ^{MB}Fiscal Analyst
Legislative Finance Division

SUBJECT: Petroleum Corporate Income Tax Depreciation
and the Surplus

The Department of Revenue is considering accelerating the allowances for depreciation that may be claimed on income tax returns of corporations engaged in petroleum production or transportation. Their interest in so doing stems from the large general fund surpluses now accruing as well as the suit filed by the oil companies against the petroleum income tax.

If such a policy is adopted and depending on how liberal the depreciation allowances are, the legislative finance estimates mentioned in my attached September 5 memo, of \$4,328.9 million available for appropriation for FY 81, including \$3,612.9 million in cash would have to be significantly reduced. Conceivably if the policy is liberal enough and made retroactive, all petroleum corporate income tax liability through FY 81 could be eliminated. This would mean FY 81 general funds available for appropriation would be \$2,887.3 million of which \$2,171.3 million would be cash based on the September 1979 Department of Revenue estimates (attached) as reduced for petroleum corporate income tax receipts and \$50 million in interest that would be otherwise earned thereon.

Depreciation Methods

AS 43.21.020(c)(5) permits a deduction on the income tax returns for depreciation determined by "using the unit of production method or such other reasonable methods as the department may by regulation establish."

So far, the only method authorized by regulation is the unit of production method. This is an "accelerated" method in

10/3/79

comparison with straight-line depreciation but is not as "accelerated" as two other methods, the double-declining balance and sum-of-the-years' digits methods, which are available under the federal IRS code and, by virtue of adoption of the federal code by the State, the regular State corporate income tax.

The Suit

The suit has prompted thoughts about accelerated depreciation for two reasons:

1. It might help the State's defense against the charge that the petroleum corporate income tax violates the "equal protection" clauses of the State and Federal constitutions since the previously mentioned depreciation methods are only available for corporate activities other than petroleum production and transportation. Of course, if the court found against the State on this basis, the accelerated depreciation could just as well be allowed after the decision.

2. In the event the State lost the suit or changes were mandated that reduced tax liabilities, the amount of refunds the State would have to pay to the oil companies would be reduced.

The magnitude of the possible refunds is unsettling and may help to explain why the Department of Revenue's latest revenue projections (September quarterly update) still project FY 80 receipts for the petroleum corporate income tax at \$160 million even though receipts for the first quarter of FY 80 total \$120.5 million.

Based on the Department of Revenue's estimates, a total of \$552.6 million will be received through FY 81 for the petroleum corporate income tax. Using the same estimates inherent in the legislative finance figures in my September 5 memo, the receipts through FY 81 would be roughly \$1.2 billion.

Is the administration really anxious about the outcome of the suit? If so, is accelerating depreciation to reduce the State's exposure to a large refund the best way to deal with this problem? Or would "sterilizing" these funds in some manner so that they aren't used for budget expenditures or illiquid investments preferable? Certainly the administration can do this through the veto power and their investment policies.

10/3/79

If the State wins the suit, the cost of the accelerated depreciation policy is the interest that could have been earned on the resulting tax reduction. However, in the event of a loss, the State owes interest at 8% on its refunds so accelerated depreciation then represents no cost to the State to the extent our average investment earnings are 8% and no more.

The Department of Revenue can probably allow double-declining balance and sum-of-the-years' digits by regulation to meet their concerns regarding the suit. If allowed retroactively, these methods might be sufficient to wipe out the tax liabilities incurred heretofore, resulting in immediate refunds.

Accelerated depreciation would probably then necessitate the carry-forward of losses. This has already been permitted by the Department of Revenue via regulation although there is no specific statutory authority for it in AS 43.21.

The Surplus and Oil Company Incentives

Is the administration confident about the suit but proposing accelerated depreciation mainly as a way to reduce the surplus, again in place of wielding the veto power? If so, judgement about the desirability of this policy and the weighing of its costs may occur in a different light.

If this is the objective, legislation could be proposed that sets up a capital recovery account as is being considered for net profits leasing, allowing maximum acceleration of depreciation. Expensing of capital costs with carry-forward of losses would amount to the same thing. Of course, the greater the acceleration, the greater the cost to the State in interest earnings foregone.

Accelerated depreciation only shifts the timing of tax liabilities into the future; it does not increase them in any way that would make up for the lost interest. Of course, on new leases the interest will be recovered in higher bids. There should be an actual gain to the state because the oil companies' discount rate should be higher than the state's earnings rate on invested funds.

An interest charge for the excess of accelerated depreciation over unit-of-production or straight-line could be incorporated into the tax statutes. If the interest charge were set at the state's earnings rate on invested funds, the state would be indifferent as to whether a company took accelerated depreciation or not. Yet, an oil company with a presumably higher earnings rate would be able to increase their net present value by using accelerated depreciation.

1/14/80

Thus, even if interest is charged, accelerated depreciation, while reducing the surplus, would provide a positive incentive for the development of marginal fields or secondary or tertiary recovery operations on developed fields. The state might even gain in the absence of an interest charge if the additional development produced revenues sufficient to more than offset the interest lost from accelerated depreciation on fields that are already developed or would be developed regardless.

An alternative way to recapture at a later time the lost interest on accelerated depreciation would be to graduate the corporate tax rate upwards from 9.4%. However, there could be no assurance of the increased tax liability even roughly matching the interest lost.

HOUSE FINANCE COMMITTEE
January 15, 1980
3:00 p.m.

All members of the Committee were in attendance, with Representatives Rogers, Duncan and Schaeffer arriving later in the meeting. Also present: Bert Wagon, Deputy Commissioner, Department of Commerce & Economic Development; John Crandall and Mike Doogan, Administrative Assistants to Chairman Meekins; Milt Barker, Fiscal Analyst Division of Legislative Finance.

PRESENT

Chairman Meekins called the meeting to order and stated the Committee would delay further hearing on HCR 33 (Requesting the Governor to direct action relating to the investment of surplus state funds and the participation of state agencies and corporations in loan programs of benefit to the state's economy.) until tomorrow. Bert Wagon did, however, distribute to Committee members a memorandum packet, dated January 15, 1980, dealing with bank participation being reduced from 25% to 10% (attached).

HCR 33

(Representatives Rogers and Duncan arrived at this time.)

Chairman Meekins passed out to the Committee an outline on "Revenue Discussion" (attached) and stated they would go through the list item by item.

REVENUE
PROJECTIONS

There was discussion on what the projected revenue figures would be if the pipeline were excluded.

Representative Haugen requested residual balances (lapses and appropriations) for FY 79. Milt Barker will provide that information for the Committee.

There was brief discussion regarding the new Committee room and table arrangement, as well as witness and audience seating. Several members felt the situation was less than ideal.

There was extensive discussion on the supplemental capital budget and the question of whether to even have one, and if so, whether to use the Governor's document as a base. Chairman Meekins stated the problem is trying to win from Administration what the Legislature has already appropriated. Representative Montgomery commented he felt they should prioritize those capital improvement projects before the new ones are started.

Chairman Meekins advised a bill (attached) to be sponsored by the Finance Committee is currently being drafted that would address the point on capital improvement projects that the Attorney General makes. Last year, he stated, there were 88 exceptions to the Legislature's capital budget where the Attorney General said letters of intent don't count.

(Representative Schaeffer arrived at this time.)

The Committee discussed whether to pass a capital budget early so as to take advantage of the construction season. Members of the Committee cited examples where capital improvement projects have been on the books for several years that have yet to be completed or even begun.

Chairman Meekins stated the question is whether to take "two shots" at the capital budget and whether to use the Governor's document as a base. He advised this bill addresses the question of direct appropriations--not having to go through the Department--to the community.

Representative Freeman commented he objects to the Department making the community justify a project that the Legislature has already approved.

Chairman Meekins indicated it might be a good idea to have the Attorney General testify before the Finance Committee regarding his decisions.

After further discussion, Chairman Meekins stated it is the consensus of the Committee not to use the Governor's CIP document as a base.

Representative Freeman briefly explained some of the proposals being considered for income tax relief.

Referring to III.B. Privatization on the "Revenue Discussion" sheet, Representative Freeman indicated this could be tied in with income tax relief.

Regarding income tax relief, Representative Haugen stated the Committee should consider limited entry, where they charge everything off.

Chairman Meekins advised it is the consensus that AGSOC be handled in caucus.

Regarding short-funded budgets, Representative Freeman stated he wished to point out the Committee should consider whether to approve a supplemental capital budget, as it seems the Legislature would be rewarding those departments for not doing their job.

Chairman Meekins announced the Committee would meet tomorrow at 1:30 p.m. to finish revenue and go over HCR 33.

The meeting adjourned at 4:05 p.m.

ADJOURN

HFC Tape #3

1-15-80

Revenue Sources FY 1979-81

**Alaska
Department of Revenue**

Jay Hammond, Governor

Native Claims Payments

Inception to Date

AMOUNT OF PAYMENT

Fiscal Year 1972	-0-	(1)
Fiscal Year 1973	462,661.00	
Fiscal Year 1974	-0-	
Fiscal Year 1975	1,609,614.00	
Fiscal Year 1976	133,400.00	
Fiscal Year 1977	161,070.00	
Fiscal Year 1978	22,829,548.97	(2)
Fiscal Year 1979	45,592,774.90	
Fiscal Year 1980	53,871,914.37	
July	5,622,146.54	
August	6,322,264.81	
September	10,745,561.93	
October	10,247,234.46	
November	10,050,684.02	
December	10,884,022.61	

TOTAL AMOUNT PAID TO THE NATIVE CLAIMS FUND
BY THE STATE THROUGH DECEMBER 31, 1979

\$124,660,983.24

- (1) The Alaska Native Claims Settlement Act became effective December 18, 1971.
(2) Oil-flow through the pipeline from Prudhoe Bay began June 20, 1977. Responsibility for payments to the Claims Fund was transferred to the Department of Revenue effective July 1, 1977. Since that date time between payments has averaged 30 days.

ALASKA NATIVE CLAIMS FUND

Under the terms of Sec. 9 of the Alaska Native Claims Settlement act regarding mineral leases, the State is obligated to pay into the Alaska Native Fund 2% of the gross value of royalties received by the State for minerals produced or removed from State lands and 2% of all rentals and bonuses from such leases. The same conditions are imposed on the Federal Government for mineral leases on Federal lands in Alaska. Payments are to continue until such time as the combined amount paid by the State and Federal Government reaches \$500,000,000. State payments into the fund must be made within sixty days from the date the revenues are received by the State.

ALASKA'S REVENUE SOURCES

Compiled by Research Section

Department of Revenue

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Introduction

In accordance with Alaska Statute 37.07.060 (b)(4) the Revenue Source Book is compiled annually to assist the Governor in formulating a proposed comprehensive financial plan for presentation to the State Legislature. Since fiscal year (FY) 1975, responsibility for compiling and publishing this summary of State Revenues has come under the Department of Revenue's jurisdiction. Within the publication are shown prior year actuals, revised current year estimates, and upcoming year projections.

The State receives three major classes of income: Unrestricted, Restricted, and Special Fund Revenues.

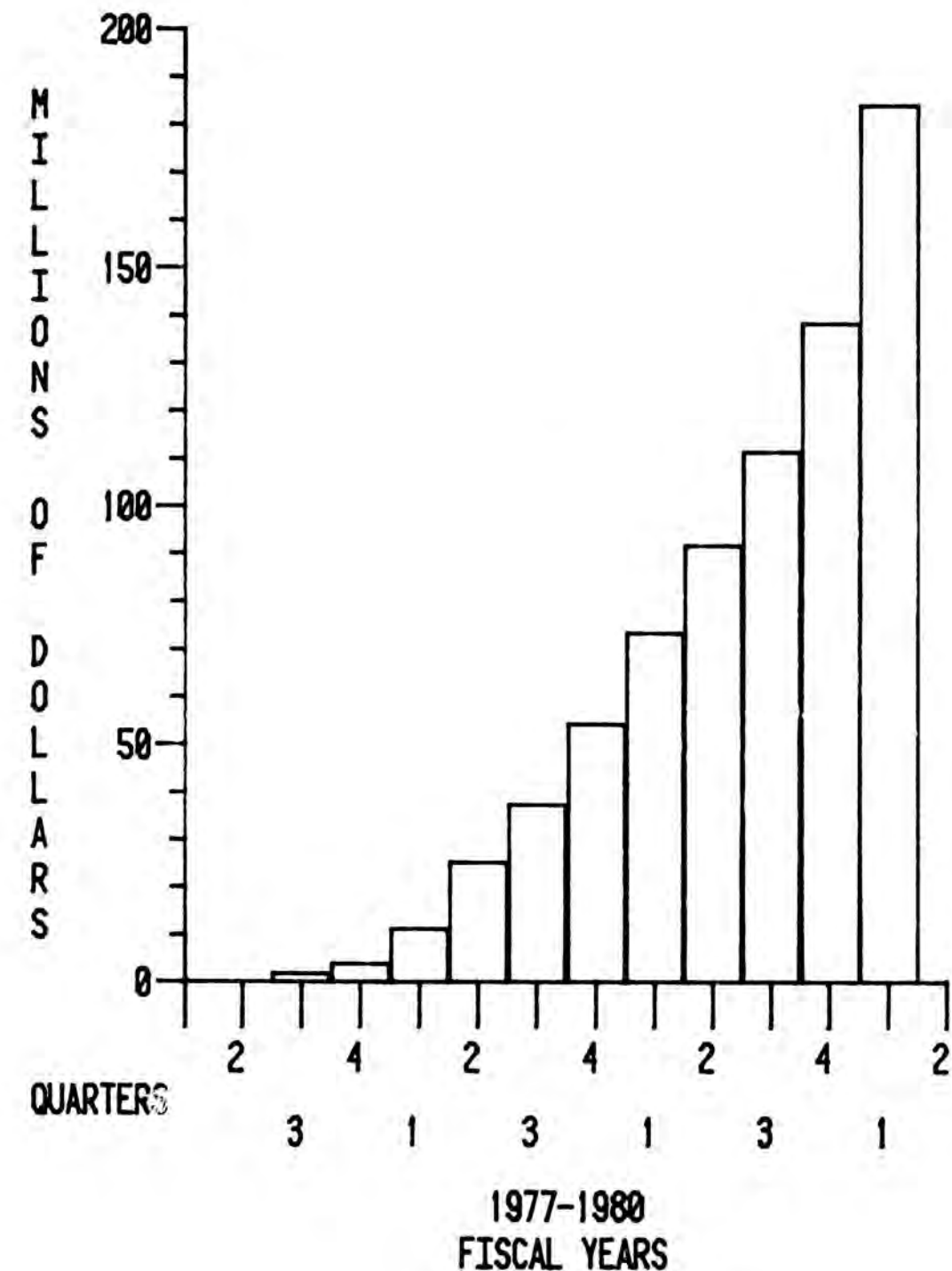
1. Unrestricted Revenues are paid into the General Fund and may be appropriated for any purpose. These receipts are listed in the Source Book by type; i.e. Taxes, Licenses and Permits, etc.
2. Restricted Revenues are those received for specific purposes, primarily from the Federal Government. Only budget category totals are given.
3. Special Fund Revenues are those received into statutorily established funds such as the International Airports Revenue Fund.

Anticipated State income is projected through the use of a number of data sources: 1) An econometric model developed by the Department of Revenue's Research Section to forecast unrestricted non-petroleum revenues, 2) A petroleum revenue forecasting model created by the Department's Petroleum Revenue Division, and 3) Estimates from individual State agencies.

The Department of Revenue thanks the various State agencies for their cooperation in computing anticipated revenues for publication in this document.

Alaska Permanent Fund

HISTORICAL COMPARISON OF CUMULATIVE BALANCE



Alaska Permanent Fund Contributions

February 21, 1977 to November 30, 1979

	<u>FY 1977</u>	<u>FY 1978</u>	<u>FY 1979</u>	<u>FY 1980</u>
July		794,995.01	7,502,051.26	10,692,715.90
August		2,521,153.06	5,919,366.32	17,708,447.48
September		4,021,045.20	5,844,160.01	17,327,178.30
October		4,831,261.69	5,895,954.01	16,537,475.13
November		4,979,386.81	5,983,431.49	17,457,131.59
December		4,217,990.44	6,157,251.64	
January		4,215,503.35	6,464,609.73	
February		4,145,894.12	6,785,168.90	
March	1,530,416.42	3,648,367.18	6,292,339.61	
April	815,439.57	5,088,252.18	7,953,713.53	
May	788,450.99	5,603,327.04	9,065,491.87	
June	822,403.54	6,376,079.60	10,043,535.99	
Total	<u>3,956,710.52</u>	<u>50,443,255.68</u>	<u>83,907,074.36</u>	<u>79,722,948.40</u>

CUMULATIVE FUND BALANCE AS OF NOVEMBER 30, 1979

\$218,029,988.96

INTEREST EARNINGS TRANSFERRED TO GENERAL FUND

1st Quarter (July - Sept.)	12,370.79	605,651.99	\$1,883,659.46
2nd Quarter (Oct. - Dec.)	148,250.03	1,282,489.03	
3rd Quarter (Jan. - Mar.)	115,436.96	962,645.91	
4th Quarter (Apr. - June)	27,019.00	624,376.03	2,852,138.75
Total	<u>27,019.00</u>	<u>900,433.81</u>	<u>1,883,659.46</u>

TOTAL AMOUNT OF INCOME TRANSFERRED TO GENERAL FUND
AS OF NOVEMBER 30, 1979

\$8,514,037.95

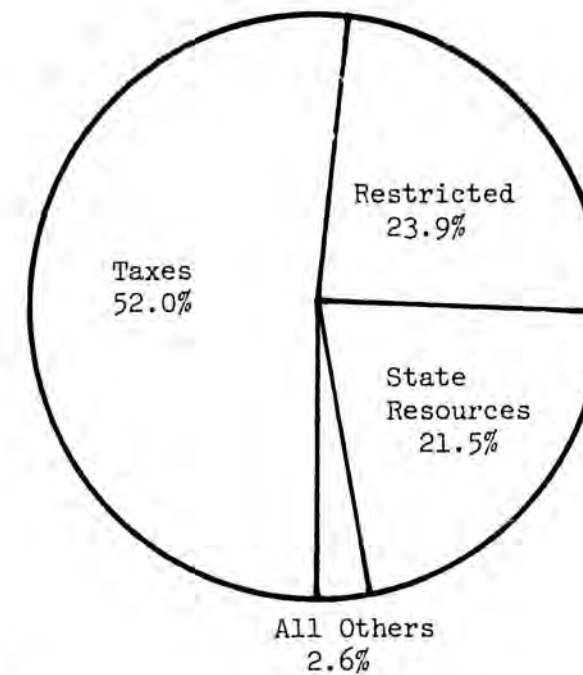
ALASKA PERMANENT FUND

The Alaska Permanent Fund was established by a constitutional amendment effective February 21, 1977. Contributions to the fund must consist of at least 25% of mineral lease rentals, royalties, royalty sale proceeds, Federal mineral revenue sharing payments and bonuses received by the State. Income from the fund must be deposited in the General Fund unless otherwise provided by law.

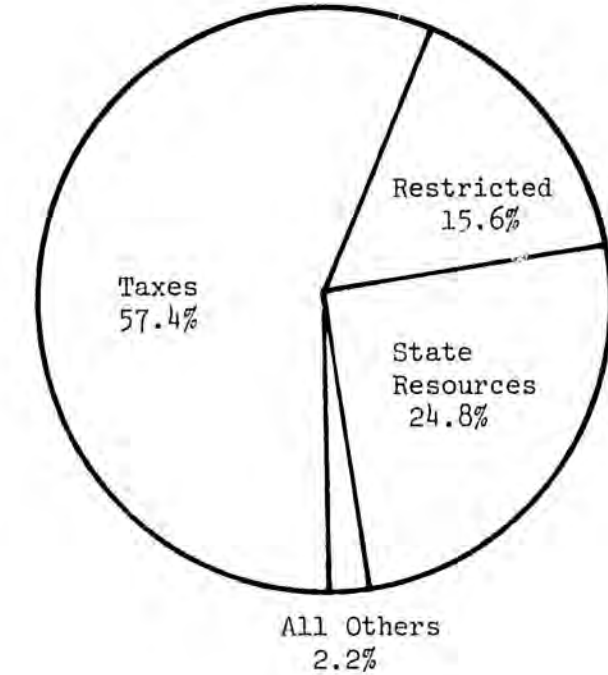
General Fund Components

Historical Comparison

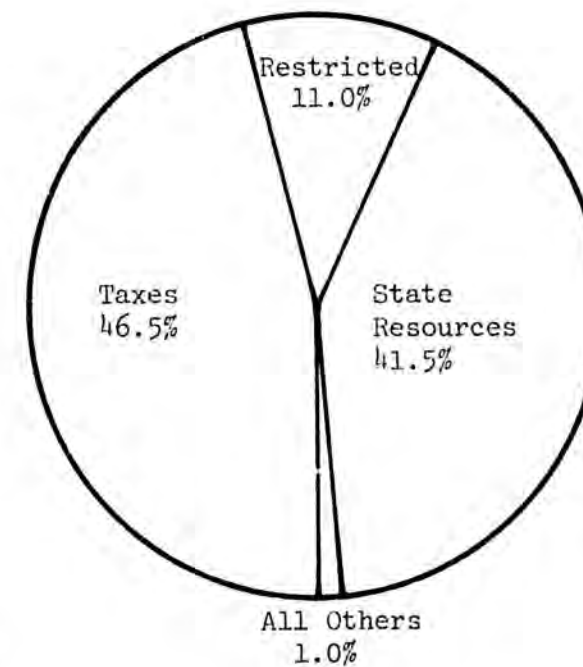
FY 78 ACTUAL



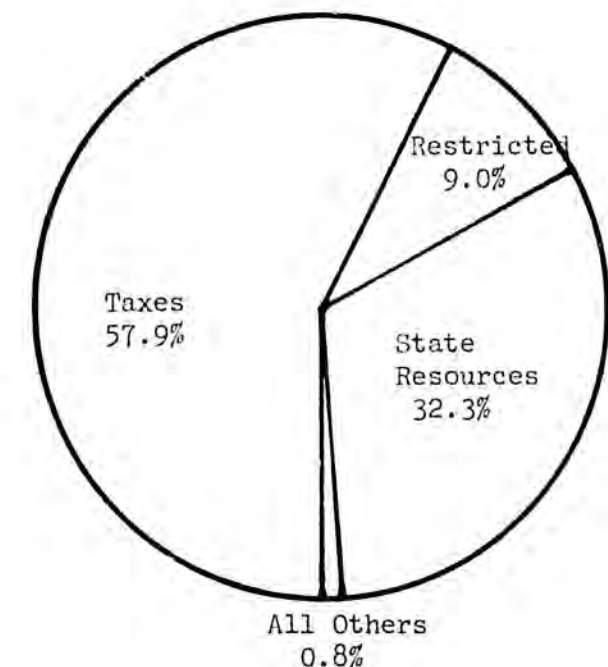
FY 79 ACTUAL



FY 80 PROJECTION



FY 81 PROJECTION



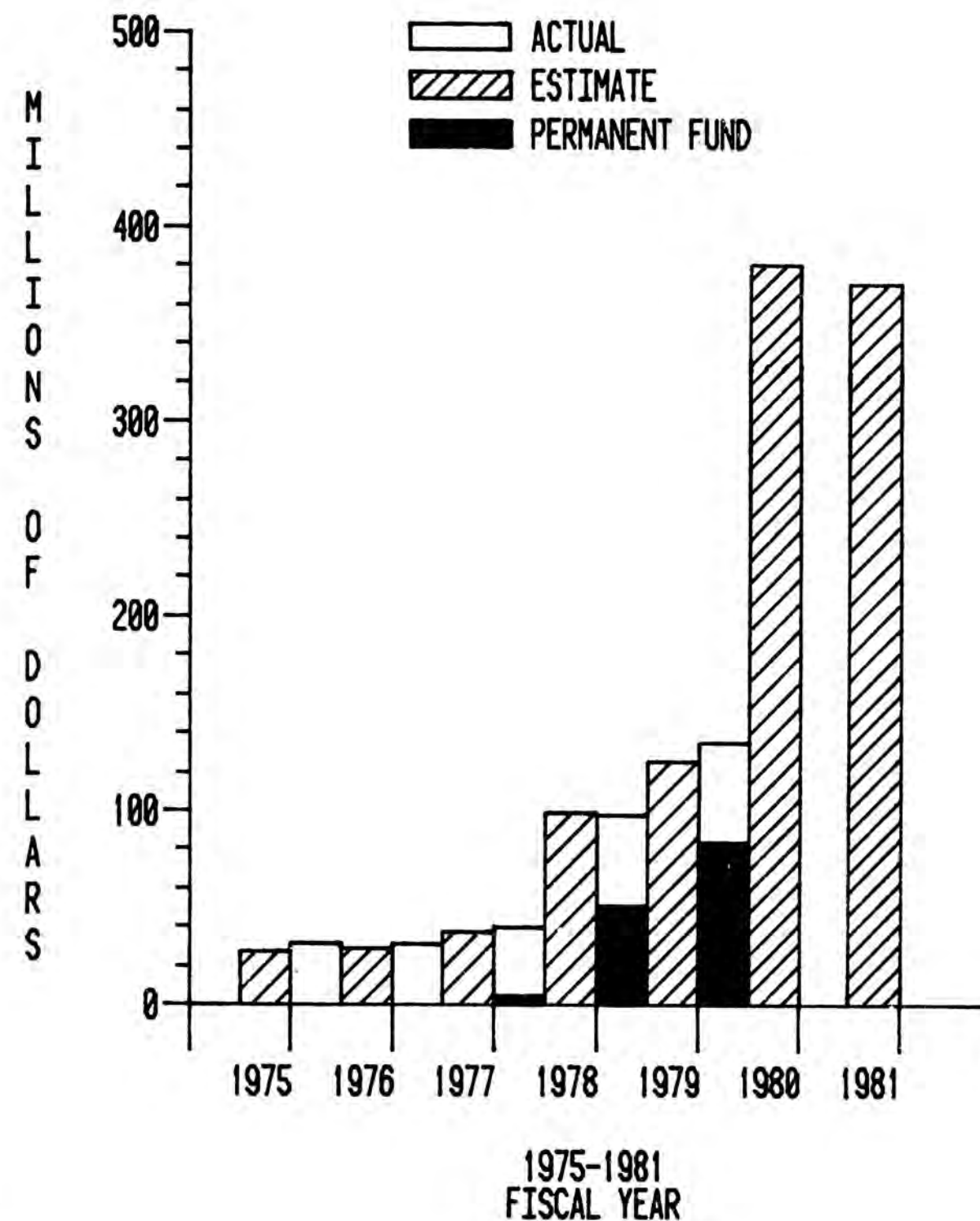
Unrestricted Revenues

In Thousands of Current Dollars

	<u>FY 79</u>	<u>FY 80</u>	<u>FY 81</u>
<u>TAXES</u>	<u>ACTUAL</u>	<u>REVISED ESTIMATE</u>	<u>ESTIMATE</u>
<u>INCOME</u>			
Corporate - General	24,800	15,000	28,000
Corporate - Petroleum ⁽¹⁾	232,600 ⁽²⁾	402,000	558,000
Fiduciary	100	100	100
Individual	117,200	122,000	161,000
<u>GROSS RECEIPTS</u>			
Alaska Business License ⁽³⁾	28,200	4,000	3,000
Raw Fish ⁽⁴⁾	6,700	8,600	13,800
Cold Storage ⁽⁴⁾	3,300	8,700	12,600
Freezer Ship ⁽⁴⁾	1,900	3,600	4,900
Insurance Companies	10,800	12,400	14,300
Other	1,900	2,000	2,300
<u>SEVERANCE</u>			
Gravel, Timber, etc.	1,700	1,500	1,200
Oil and Gas Production ⁽⁵⁾	173,800	432,900	1,045,200
<u>PROPERTY</u>			
Oil and Gas	163,400	175,000	178,000
Vehicle Registration	200	100	200
<u>SALE/USE</u>			
Alcoholic Beverages	7,400	7,700	8,000
Fuel Taxes-Aviation	3,400	3,600	3,700
Fuel Taxes-Highway	16,300	18,400	19,000
Fuel Taxes-Marine	2,600	3,100	3,200
Tobacco Products	1,700	1,700	1,800
<u>OTHER</u>			
Estate	100	200	200
School	2,500	2,500	2,700
 TOTAL TAXES	<u>800,600</u>	<u>1,225,100</u>	<u>2,061,200</u>
 <u>LICENSES AND PERMITS</u>			
<u>BUSINESS</u>	7,500	8,500	8,500
<u>NON-BUSINESS</u>	12,300	11,300	12,400
 TOTAL LICENSES & PERMITS	<u>19,800</u>	<u>19,800</u>	<u>20,900</u>
 <u>INTERGOVERNMENTAL RECEIPTS</u>			
<u>FEDERAL SHARED REVENUES⁽⁶⁾</u>	<u>4,100</u>	<u>4,000</u>	<u>4,000</u>

Special Funds

Historical Comparison



Special Funds

In Thousands of Current Dollars

	1979	1980	1981
ENTERPRISE FUNDS	ACTUAL	REVISED ESTIMATE	ESTIMATE
Agriculture Loan Fund	200	300	800
Child Care Facility Loan Fund	-0-	-0-	-0-
Commercial Fish Loan Fund	100	200	300
Historical District Loan Fund	-0-	-0-	-0-
International Airport Revenue Fund	26,700	27,200	30,200
Medical Malpractice Loan Fund	1,500	200	200
Scholarship Loan Fund	100	300	300
Small Business Loan Fund	100	300	500
Tourism Loan Fund	100	200	200
Water Resources Loan Fund	100	100	100
World War II Veterans Loan Fund	2,900	2,300	2,200
TOTAL ENTERPRISE FUNDS	31,800	31,100	34,800
SPECIAL REVENUE FUNDS			
Alaska Permanent Fund	83,900	327,900	322,600
Federal Revenue Sharing Fund	7,400	7,600	-0- ⁽¹⁾
Fish and Game Fund	8,900	9,900	10,900
Marine Coastal Damage Fund	100	-0-	-0-
School Fund	2,800	2,800	3,000
Training and Building Fund	400	400	500
TOTAL SPECIAL REVENUE FUND	103,500	348,600	337,000
TOTAL SPECIAL FUNDS	135,300	379,700	371,800

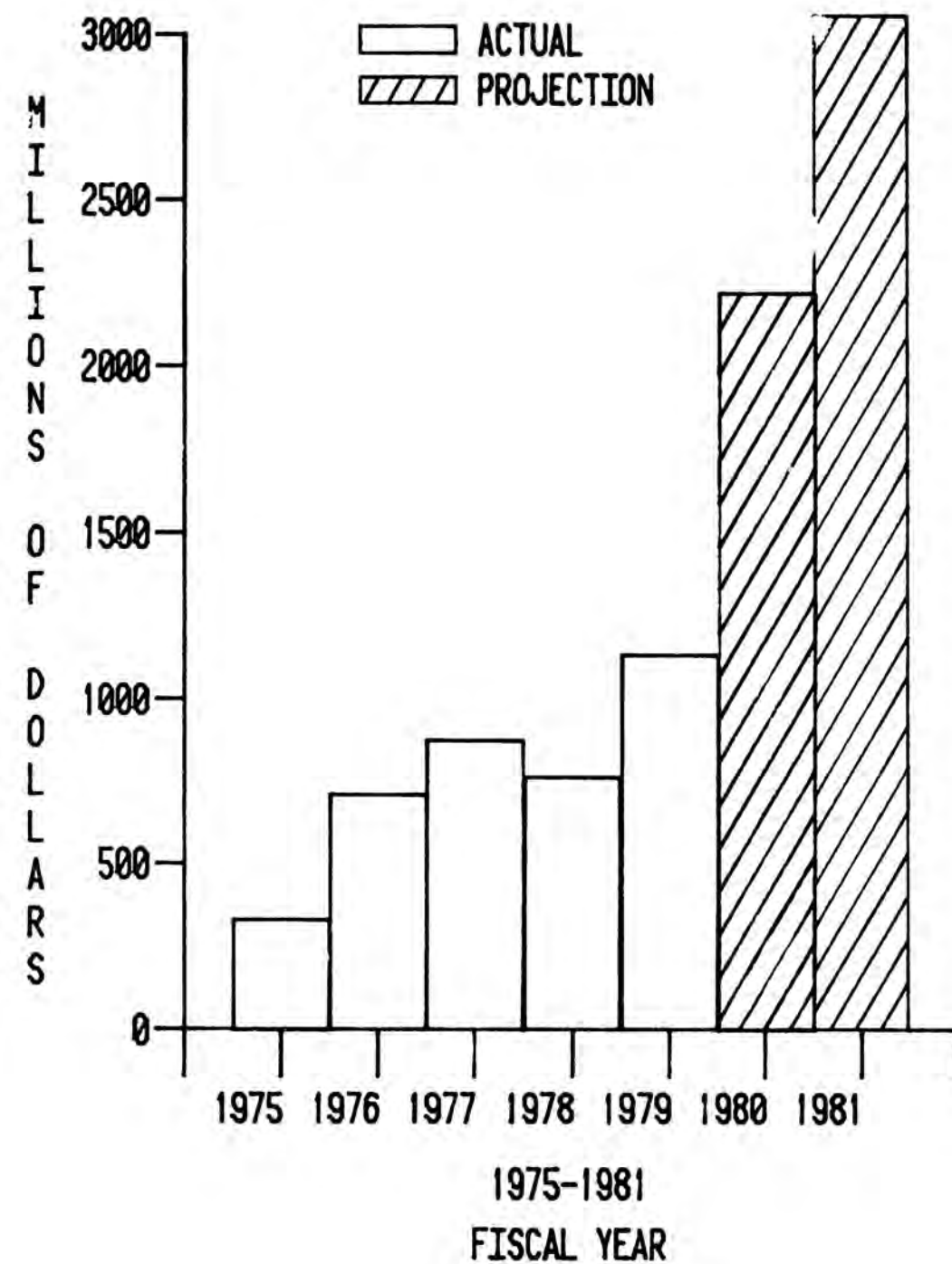
(1) Federal funding expires September 30, 1980. Reauthorization was pending at the time of publication.

STATE RESOURCES REVENUES

SALE/USE			
Bonus Sales ⁽⁶⁾	-0-	342,400 ⁽⁷⁾	-0-
Investment Earnings	59,200	70,000	140,000
Rents ⁽⁶⁾	2,100	2,900	3,400
Royalties ⁽⁶⁾	249,200	637,800 ⁽⁸⁾	963,800 ⁽⁸⁾
Sale of State Property	8,400	8,800	9,300
FACILITIES RELATED CHARGES			
Airports	900	900	900
Ferry System-SE	17,100	19,500	21,600
Ferry System-SW	1,800	2,100	2,400
Other	3,100	4,500	6,400
SERVICE RELATED CHARGES			
Court System	2,800	3,100	3,300
Other	2,300	1,500	1,500
TOTAL STATE RESOURCES REVENUES	346,900	1,093,500	1,152,600
MISCELLANEOUS REVENUES	7,200	4,200	4,300
TOTAL UNRESTRICTED REVENUES	1,178,600	2,346,600	3,243,000
LESS: NATIVE LAND CLAIMS PAYMENTS ⁽⁹⁾	45,600	122,000 ⁽¹⁰⁾	190,800
TOTAL TO THE STATE	1,133,000	2,224,600	3,052,200

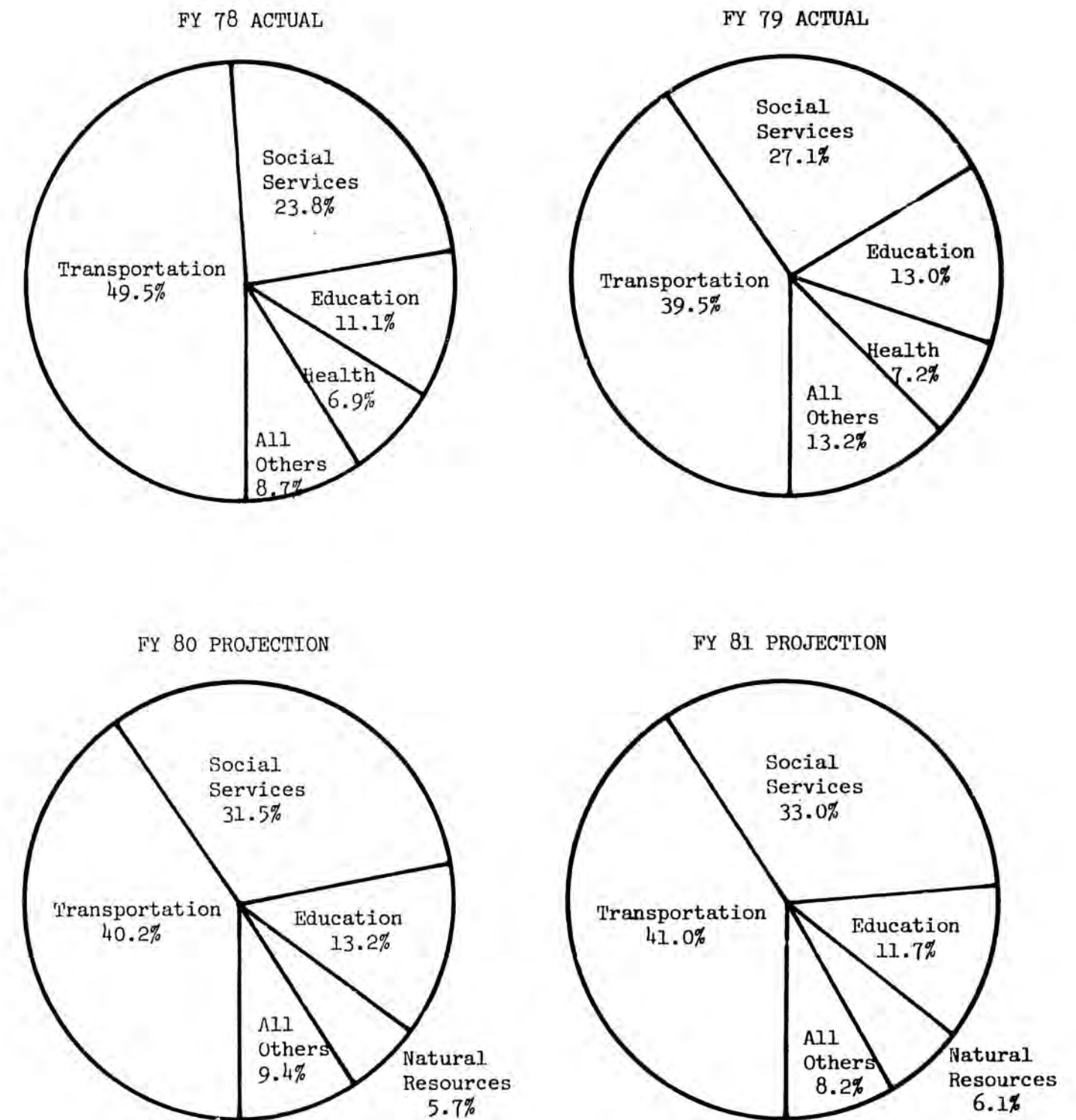
- (1) The figures for FY 80 and FY 81 are dependent upon the Department of Revenue adopting regulations by June 15, 1980 which entail changes to Ch. 110 SLA 1978, effective July 9, 1978.
- (2) Represents five quarters of estimated payments. The payments totaling 163.0 million for the 1978 tax year were paid March 15, 1979. First quarterly payments for the 1979 tax year paid June 15, 1979, totalled \$69.6 million.
- (3) Sec. 3 of Ch. 144 SLA 1978 amended AS 43.70.030 (Alaska Business License Act), effective January 1, 1979, to eliminate the gross receipts tax levy on all businesses with the exception of the net income tax for banks, trust companies, savings and loan associations, and the business license fee itself.
- (4) Ch. 79 SLA 1979, effective June 30, 1979. FY 1980 represents a transition period with six months of collections under old tax rates and six months of collections under new tax rates.
- (5) Reserves tax credit applied.
- (6) Net of 25 % Permanent Fund contribution.
- (7) Reflects bonuses for undisputed State lands in the Beaufort Sea lease sale. Another \$110.9 million associated with the Dinkum Sands is subject to an agreement with the United States regarding its allocation.
- (8) Assumes gradual decontrol of oil prices by 10/1/81 and no windfall profits tax on State royalties.
- (9) FY 1979 includes \$6.2 million from settlement of litigation with North Slope Borough. Section 9 of the ANCSA of 12/18/71. See also Ch. 107 SLA 1977, effective 7/1/77.
- (10) The figure does not include any calculations based on the Beaufort Sea lease sale.

Unrestricted Revenues



Restricted Revenues

Historical Comparison



Restricted Revenues

In Thousands of Current Dollars

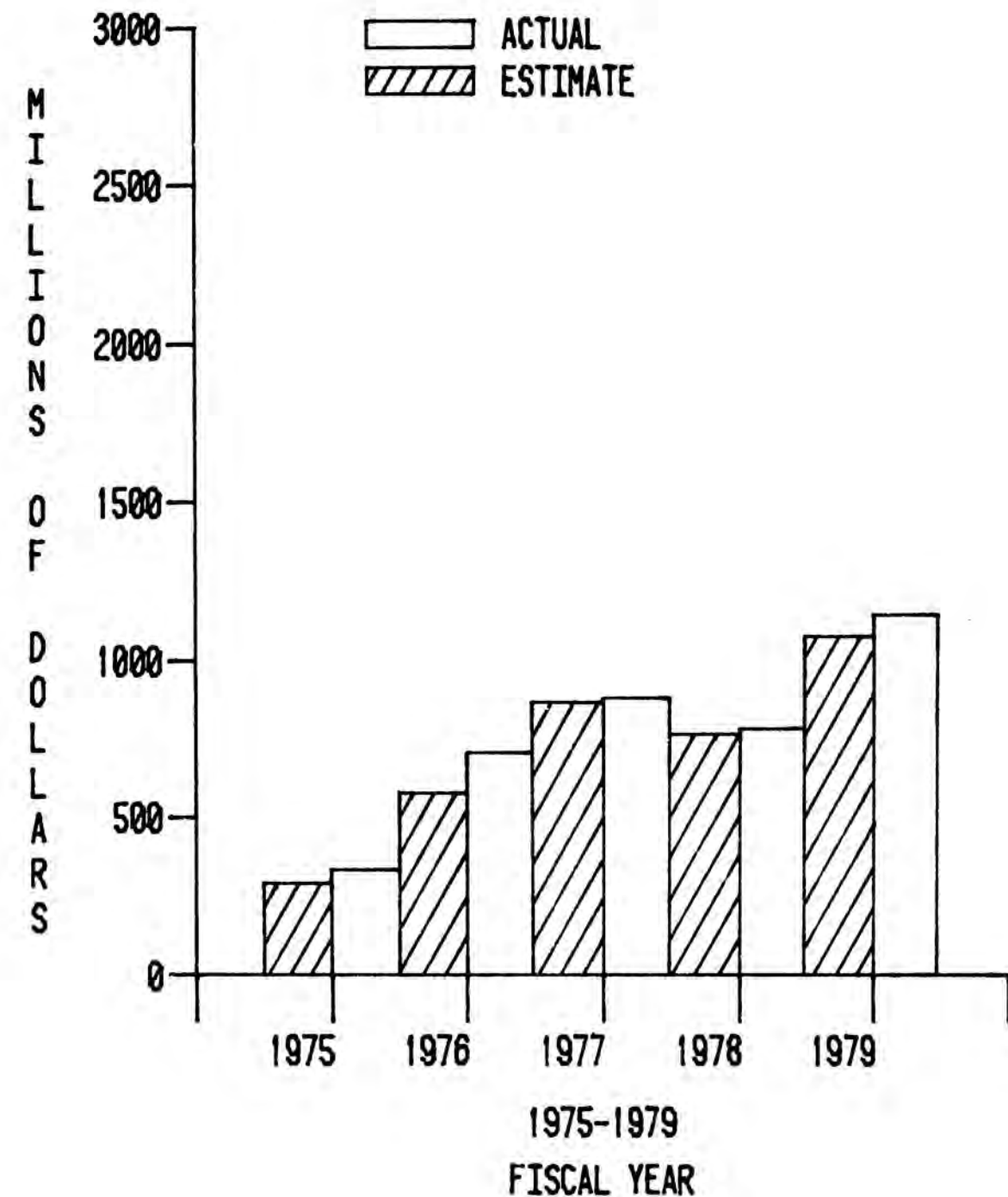
	1979	1980	1981
	ACTUAL	REVISED ESTIMATE	ESTIMATE
<u>FEDERAL GRANTS-IN-AID</u>			
I. Education	27,800	37,900	37,200
II. Social Services	57,800	89,300	103,700
III. Health	15,400	4,200	5,600
IV. Natural Resources	10,100	15,800	16,600
V. Public Protection	5,300	5,600	5,400
VI. Administration of Justice	3,100	5,400	2,600
VII. Development	1,700	1,500	3,200
VIII. Transportation	84,600	115,000	130,000
IX. General Government	600	200	400
TOTAL FEDERAL GRANTS-IN-AID	<u>206,400</u>	<u>274,900</u>	<u>304,700</u>
<u>OTHER GRANTS-IN-AID</u>			
I. Education	500	200	300
II. Social Services	1,000	1,900	2,000
III. Health	200	-0-	-0-
IV. Natural Resources	1,200	800	2,900
V. Public Protection	1,600	1,500	1,700
VI. Administration of Justice	300	100	100
VII. Development	500	900	900
VIII. Transportation	1,100	1,100	1,100
IX. General Government	1,100	4,000	2,400
TOTAL OTHER GRANTS-IN-AID	<u>7,500</u>	<u>10,500</u>	<u>11,400</u>
MISCELLANEOUS RESTRICTED REVENUE- ALL CATEGORIES	<u>3,200</u>	<u>3,800</u>	<u>3,900</u>
TOTAL RESTRICTED REVENUE ⁽¹⁾	<u>217,100</u>	<u>289,200</u>	<u>320,000</u>
TOTAL GENERAL FUND REVENUE ⁽²⁾	<u>1,350,100</u>	<u>2,513,800</u>	<u>3,372,200</u>

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

(2) Actual and estimated revenues are reported herein on a cash basis and therefore may not agree with those given in the State's Annual Report which used a modified accrual basis.

Unrestricted Revenues

Historical Comparison
of Estimates and Actuals



Revenue Breakdown

The total gross unrestricted revenues for Fiscal Years 1980 and 1981 are projected to be \$2,674.5 million and \$3,565.6 million respectively. The corresponding net unrestricted revenues as a result of Permanent Fund and Native Claims payment deductions amounts to \$2,224.6 million and \$3,052.2 million.

The following table depicts a breakdown of gross unrestricted revenues in terms of Petroleum versus Non-Petroleum revenues.

PETROLEUM VS. NON-PETROLEUM REVENUES

(In millions of current dollars)

Petroleum Revenues

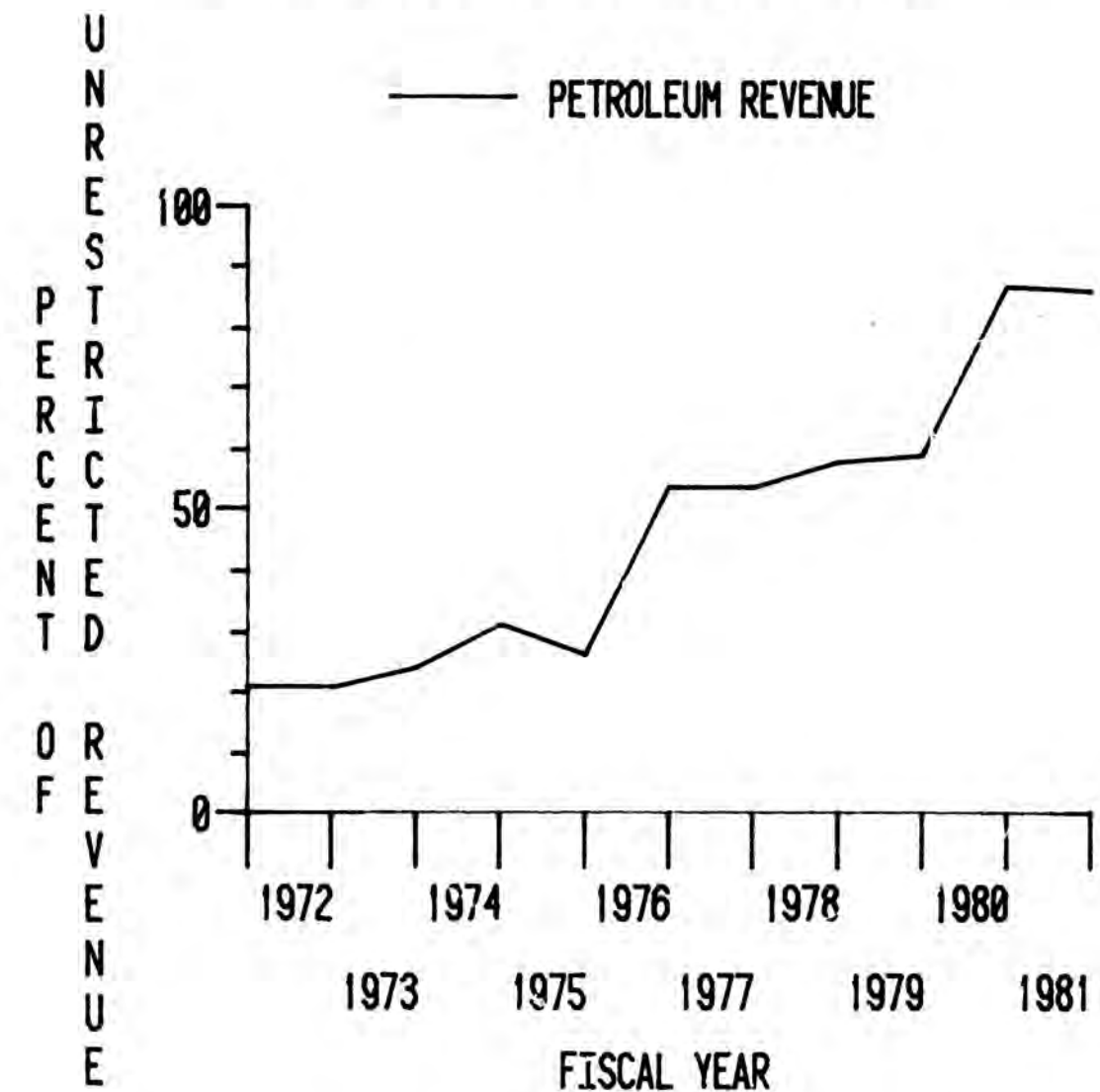
	<u>FY 80</u>	<u>FY 81</u>
Corporate Petroleum	402.0	558.0
Severance Tax	432.9	1,045.2
Royalties	850.4	1,285.0
Property Tax	175.0	178.0
Bonus Sale	456.5	-0-
	<u>\$2,316.8</u>	<u>\$3,066.2</u>

Non-Petroleum Revenues

	<u>FY 80</u>	<u>FY 81</u>
Taxes	215.2	280.0
Licenses & Permits	19.8	20.9
Intergovernmental		
Receipts	4.4	4.4
State Resources		
Revenues	114.1	189.8
Miscellaneous		
Revenues	4.2	4.3
	<u>\$ 357.7</u>	<u>\$ 499.4</u>
Total	<u>\$2,674.5</u>	<u>\$3,565.6</u>

Petroleum Revenues

Historical Comparison of Gross Revenues as Percentages and in Millions of Current Dollars



<u>Fiscal Year</u>	<u>Total Unrestricted State Revenue</u>	<u>Total Petroleum Revenue</u>	<u>Percent</u>
1971	220.4	46.2	21%
1972	219.2	47.1	21%
1973	208.1	49.3	24%
1974	255.1	79.3	31%
1975	333.3	87.6	26%
1976	709.7	386.1	54%
1977	878.1	476.3	54%
1978	837.8	483.4	58%
1979	1,262.5	742.0	59%
1980*	2,674.5	2,316.8	87%
1981*	3,565.6	3,066.2	86%

* Estimate

HLR 33

02 (01/18 (Rev. 10/76))

STATE
of ALASKA

MEMORANDUM

TO: Honorable Russ Meekins
Chairman, House Finance
Committee

DATE: January 15, 1980

FILE NO:

TELEPHONE NO:

FROM: Bertram L. Wagon
Deputy Commissioner
Department of Commerce
and Economic Development

SUBJECT:

The Governor today has instructed the Department of Commerce and Economic Development to reduce the bank participation rate from 25% to 10%. This change will be placed in effect immediately.

The F.C.C. of the first session of the 11th Legislature indicated that through participation and any other mechanism for leveraging that the department originate new loans in FY '80 of \$90 million. For the period July 1 through December 31 of this year, the Department of Commerce issued commitments totaling \$48.8 million. Of this amount \$38.1 million were State funds and \$10.7 million were bank funds (see Attachment A). The department anticipates that for FY '80 we will comply with the \$90.0 million guideline indicated by the Legislature.

While the subject of bank participation has been somewhat controversial, the positive aspects of the program have not received the attention they deserve. By utilizing the private financial community to originate, service and monitor loans, the State receives the benefit of the expertise of the private sector. As the interest rate differential between the State and commercial sector has widened, a corresponding increase in the number of applications has resulted (see Attachment B). The current processing time from receipt of application until action by the credit committee is approximately ten weeks. If bank participation were completely eliminated, substantial time delays in excess of this would result.

BLW/s111

Attachments

014

1-15-80

Division of Business Loans

Total of Commitments, July 1 to December 31, 1979
Division of Business Loans Portion:

Total into Economy:

Type	Number of Loans	Dollars
Small Business	153	\$19,637,377
Commercial Fishing	266	13,781,036
Tourism	8	3,590,718
Child Care	1	15,000
Fisheries Enhancement	4	1,080,120
Historical District	1	50,000
	<u>433</u>	<u>\$38,154,251</u>

DBL Commitments, Direct	\$13,673,734
DBL Commitments, Participation	24,480,517
Total DBL Amount	<u>38,154,251</u>
Add Bank Amount	10,691,823
Total into Economy	<u>\$48,846,074</u>

Participation Amount by Bank and Program:

	Small Business		Commercial Fishing		Tourism		Total		Corresponding DBL Amount
	# of Loans	Dollars	# of Loans	Dollars	# of Loans	Dollars	# of Loans	Dollars	
Alaska Bank of Commerce	5	\$ 389,830	1	\$ 67,294			6	\$ 457,124	\$ 1,121,290
Alaska Mutual Savings	3	185,000			1	\$ 362,157	4	547,157	1,641,468
Alaska National Bank of the North	8	816,133	1	20,925	1	75,000	10	912,058	2,154,642
Alaska Pacific Bank	7	450,375	2	78,146	2	314,750	11	843,271	2,529,564
Alaska Statebank	3	203,125	3	164,000			6	367,125	1,119,175
Arctic First Federal	1	75,000					1	75,000	225,000
B.M. Behrends Bank	4	203,263	5	105,948			9	309,211	927,584
First National Bank of Anchorage	8	880,875	10	337,187			18	1,218,062	3,044,813
First National Bank of Fairbanks	11	759,112			2	266,250	13	1,025,362	3,076,082
First National Bank of Ketchikan	3	123,700	6	176,850			9	300,550	902,050
National Bank of Alaska	18	3,490,471	9	264,233	2	178,650	29	3,933,354	5,663,122
Peoples Bank and Trust	2	112,500					2	112,500	337,500
Rainier National Bank	1	133,822	1	37,500			2	171,322	513,968
Seattle First National (Inc.)		12,000					(Inc.)	12,000	
United Bank Alaska	3	349,765	2	57,962			5	407,727	1,224,259
TOTALS	<u>77</u>	<u>\$8,184,971</u>	<u>40</u>	<u>\$1,310,045</u>	<u>8</u>	<u>\$1,196,807</u>	<u>125</u>	<u>\$10,691,823</u>	<u>\$24,480,517</u>

CORRECTION

**THIS DOCUMENT
HAS BEEN REPHOTOGRAPHED
TO ASSURE LEGIBILITY**

Division of Business Loans

Total of Commitments, July 1 to December 31, 1979
Division of Business Loans Portion:

Total into Economy:

Type	Number of Loans	Dollars
Small Business	153	\$19,637,377
Commercial Fishing	266	13,781,036
Tourism	8	3,590,718
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Historical District	1	50,000
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Participation Amount by Bank and Program:

	Small Business		Commercial Fishing		Tourism		Total		Corresponding DBL Amount
	# of Loans	Dollars	# of Loans	Dollars	# of Loans	Dollars	# of Loans	Dollars	
Alaska Bank of Commerce	5	\$ 389,830	1	\$ 67,294			6	\$ 457,124	\$ 1,121,290
Alaska Mutual Savings	3	185,000			1	\$ 362,157	4	547,157	1,641,468
Alaska National Bank of the North	8	816,133	1	20,925	1	75,000	10	912,058	2,154,642
Alaska Pacific Bank	7	450,375	2	78,146	2	314,750	11	843,271	2,529,564
Alaska Statebank	3	203,125	3	164,000			6	367,125	1,119,175
Arctic First Federal	1	75,000					1	75,000	225,000
B.M. Behrends Bank	4	203,263	5	105,948			9	309,211	927,584
First National Bank of Anchorage	8	880,875	10	337,187			18	1,218,062	3,044,813
First National Bank of Fairbanks	11	759,112			2	266,250	13	1,025,362	3,076,082
First National Bank of Ketchikan	3	123,700	6	176,850			9	300,550	902,050
National Bank of Alaska	18	3,490,471	9	264,233	2	178,650	29	3,933,354	5,663,122
Peoples Bank and Trust	2	112,500					2	112,500	337,500
Rainier National Bank	1	133,822	1	37,500			2	171,322	513,968
Seattle First National (Inc.)		12,000					(Inc.)	12,000	
United Bank Alaska	3	349,765	2	57,962			5	407,727	1,224,259
TOTALS	<u>77</u>	<u>\$8,184,971</u>	<u>40</u>	<u>\$1,310,045</u>	<u>8</u>	<u>\$1,196,807</u>	<u>125</u>	<u>\$10,691,823</u>	<u>\$24,480,517</u>

DIVISION OF BUSINESS LOANS

Comparison of Loan Applications Received in
First Six Months of FY '78, '79 and '80

<u>Fiscal Year</u>	<u>July</u>	<u>August</u>	<u>September</u>	<u>October</u>	<u>November</u>	<u>December</u>	<u>6 Mo. Total</u>
FY '79	21	27	43	84	47	49	271
FY '79	56	83	112	136	127	177	691
FY '80	68	109	106	189	161	94	727

STATE HOUSE OF REPRESENTATIVES ELECTION DISTRICT

FY	1	2	3	4	5	6	7-12	13	14
1972	60,000							78,000	
1973			11,500	1,996,625	233,200	60,000	188,000	111,200	20,000
1974	842,100	395,600	278,500	296,500	206,250	149,500	1,155,000	453,800	
1975	438,500	534,800	539,800	1,572,450	1,045,000	43,000	2,409,000	661,000	466,000
1976	659,450	477,000	208,000	1,029,950	2,255,095		390,000	1,009,550	579,950
1977	759,200	1,019,673	1,533,000	1,856,400	1,665,825	107,400	2,068,250	1,629,577	1,090,375
1978	5,279,400	3,259,450	3,238,150	4,842,450	1,595,200	418,000	6,459,815	7,192,043	3,138,406
1979	4,471,920	4,281,833	3,692,700	8,701,875	5,655,207	551,000	17,312,200	9,648,975	6,832,550
1980	1,650,975	1,605,897	1,073,100	3,010,837	2,860,134	1,168,400	10,844,134	4,004,993	702,500
TOTAL	14,161,545	11,574,253	10,574,750	23,307,087	15,565,911	2,497,300	40,826,379	24,789,188	12,829,781

FY	15	16	17	18	19	20	21	22	TOTAL
1972									138,000
1973						140,000			2,810,575
1974	218,750	184,950	40,000	16,000	140,000	79,000	85,000		4,540,950
1975	10,000	105,000	1,041,000			1,103,500	1,000,000	20,000	10,989,050
1976				10,000		268,750	1,000,000		7,387,745
1977	645,435	35,900	10,000			916,100	100,000	411,000	13,848,135
1978	1,737,350	846,060	75,000	337,000	554,500	5,583,500			44,556,324
1979	2,072,800	1,985,921	758,900	298,000	1,725,140	8,774,375	215,000	136,500	77,114,896
1980	1,366,966	2,518,905	801,550		161,250	6,334,609		50,000	38,154,250
TOTAL	6,051,301	5,676,736	2,726,450	661,000	2,580,890	23,199,834	2,400,000	617,500	200,039,925

STATE HOUSE OF REPRESENTATIVES ELECTION DISTRICT

FY	1	2	3	4	5	6	7-12	13	14
1972	60,000							78,000	
1973				108,625		60,000	188,000	111,250	20,000
1974	194,000			237,500	94,500		430,000	423,000	
1975	36,000	100,000	97,000	740,000		43,000	1,529,000	115,000	
1976	485,600		208,000	640,000	112,000		390,000	300,000	106,500
1977	300,700	264,875	400,000	707,000		107,400	603,000	911,968	
1978	1,751,100	494,500	313,000	2,911,950	617,250	300,000	4,177,000	4,599,300	174,000
1979	2,659,150	468,800	1,270,500	5,655,650	1,465,652	498,500	14,027,050	5,578,900	635,000
1980	441,400	145,300	558,000	1,798,992	1,080,968	1,073,400	7,209,790	1,466,418	200,000
TOTAL	5,927,950	1,473,475	2,846,500	12,799,717	3,370,370	2,082,300	28,553,840	13,583,836	1,135,500

FY	15	16	17	18	19	20	21	22	TOTAL
1972									138,000
1973						60,000			547,875
1974			40,000	16,000	25,000	79,000			1,539,000
1975		75,000	41,000			529,500		20,000	3,325,500
1976				10,000		257,500			2,509,600
1977	100,000					916,100	100,000	100,000	4,511,043
1978		552,000	75,000	337,000	498,500	5,568,500			22,369,100
1979	300,00	355,000	753,900	298,000	362,500	7,457,750	215,000	90,000	42,096,352
1980			669,750		25,000	4,968,359			19,637,377
TOTAL	400,000	982,000	1,584,650	661,000	911,000	19,831,709	315,000	210,000	96,403,848

STATE HOUSE OF REPRESENTATIVES ELECTION DISTRICT

FY	1	2	3	4	5	6	7-12	13	14
1972									
1973			11,500						
1974	22,500	245,600	278,500	59,000	111,750		125,000	30,800	
1975	276,500	434,800	292,800	232,450	245,000		45,000	386,000	466,000
1976	173,850	262,500		389,950	1,169,695			709,550	473,450
1977	458,500	594,798	683,000	1,059,400	715,325		328,000	717,609	1,090,375
1978	704,350	1,554,950	1,045,150	1,930,500	527,950	108,000	622,815	1,918,743	2,544,406
1979	1,512,770	2,787,333	2,422,200	2,967,475	3,689,555	52,500	2,631,310	3,750,075	6,197,550
1980	515,825	1,357,977	515,100	1,134,345	1,129,166	95,000	1,557,876	2,538,575	502,500
TOTAL	3,664,295	7,237,958	5,248,250	7,773,120	7,588,941	255,500	5,310,001	10,051,352	11,274,281

FY	15	16	17	18	19	20	21	22	TOTAL
1972									
1973									11,500
1974	133,750	35,000							1,041,900
1975	10,000	30,000							2,418,550
1976						11,250			3,190,245
1977	545,435	35,900							6,228,842
1978	1,737,350	294,060			56,000				13,044,274
1979	1,772,800	1,630,921			90,000	182,625		46,500	29,733,614
1980	1,366,966	2,518,905	131,800		50,000	317,000		50,000	13,781,035
TOTAL	5,566,301	4,544,786	131,800		196,000	510,875		96,500	69,449,960

LOAN PROGRAM

Tourism

DATE

STATE HOUSE OF REPRESENTATIVES ELECTION DISTRICT

FY	1	2	3	4	5	6	7-12	13	14
1972									
1973				1,888,000	283,200				
1974	625,600	150,000				149,500	600,000		
1975	126,000		150,000	600,000	800,000		835,000	160,000	
1976		214,500			973,400				
1977		145,000		90,000			1,113,000		
1978			1,880,000				1,640,000	674,000	
1979		880,000					623,840	320,000	
1980	393,750						2,061,468		
TOTAL	1,145,350	1,389,500	2,030,000	2,578,000	2,056,600	149,500	6,873,308	1,154,000	

22

	15	16	17	18	19	20	21	22	TOTAL
1972									
1973						80,000			2,251,200
1974	85,000	149,950			115,000		85,000		1,960,050
1975			1,000,000			574,000	1,000,000		5,245,000
1976							1,000,000		2,187,900
1977								311,000	1,659,000
1978									4,194,000
1979					1,272,640	1,134,000			4,230,480
1980					86,250	1,049,250			3,590,718
	85,000	149,950	1,000,000		1,473,990	2,283,250	2,085,000	311,000	22,910,548

N PROGRAM

CHILD CARE

DATE

STATE HOUSE OF REPRESENTATIVES ELECTION DISTRICT

FY	1	2	3	4	5	6	7-12	13	14
1972									
1973									
1974									
1975									
1976									
1977							24,250		
1978	3,950					10,000	20,000		
1979							30,000		
1980							15,000		
TOTAL	3,950					10,000	89,250		

FY	15	16	17	18	19	20	21	22	TOTAL
1972									
1973									
1974									
1975									
1976									
1977			10,000						34,250
1978									33,950
1979									30,000
1980									15,000
TOTAL			10,000						113,200

DATE _____

FY	1	2	3	4	5	6	7-12	13	14
1972									
1973									
1974									
1975									
1976									
1977		15,000			950,000				
1978	2,400,000				450,000				
1979	300,000	145,700			500,000				
1980	300,000	102,620		27,500	650,000				
TOTAL	3,000,000	263,320		27,500	2,550,000				

22

FY	15	16	17	18	19	20	21	22	TOTAL
1972									
1973									
1974									
1975									
1976									
1977									965,000
1978						15,000			2,865,000
1979	1-15-80								945,700
1980									1,080,120 5,835,870

WATER RESOURCES

DATE _____

STATE HOUSE OF REPRESENTATIVES ELECTION DISTRICT

FY	1	2	3	4	5	6	7-12	13	14
1972									
1973									
1974									
1975									
1976									
1977			450,000						
1978	420,000	1,210,000							420,000
1979									
1980									
TOTAL	420,000	1,210,000	450,000						420,000

[illegible]

LOAN PROGRAM

HISTORICAL SITES

DATE

STATE HOUSE OF REPRESENTATIVES ELECTION DISTRICT

FY	1	2	3	4	5	6	7-12	13	14
1972									
1973									
1974									
1975									
1976									
1977									
1978									
1979				78,750					
1980				50,000					
TOTAL				128,750					

FY	15	16	17	18	19	20	21	22	TOTAL
1972									
1973									
1974									
1975									
1976									
1977									
1978									
1979									128,750
1980									

1-15-80

STATE HOUSE OF REPRESENTATIVES ELECTION DISTRICT

FY	1	2	3	4	5	6	7-12	13	14
1972	1							2	
1973			2	7	2	1	4	2	2
1974	6	6	7	7	6	1	12	9	
1975	7	14	11	25	9	1	23	11	7
1976	11	8	9	18	27		4	19	9
1977	18	19	15	41	19	2	22	31	14
1978	31	32	22	61	21	3	40	69	34
1979	41	31	31	79	56	6	105	79	51
1980	19	27	19	52	29	15	69	64	8
TOTAL	134	137	116	290	169	29	279	286	125

	15	16	17	18	19	20	21	22	TOTAL
1972									3
1973					1	2			23
1974	3	2	1	1	2	2	1		66
1975	1	2	2			7	1	1	122
1976				1		5	1		112
1977	12	2	1			12	1	2	211
1978	23	12	1	2	3	31			385
1979	24	43	5	1	7	46	1	2	608
1980	13	62	6		3	45		2	433
	86	123	11	5	16	150	5	7	1963

STATE HOUSE OF REPRESENTATIVES ELECTION DISTRICT

FY	1	2	3	4	5	6	7-12	13	14
1972	1							2	
1973				4		1	4	2	2
1974	4			5	3		9	7	
1975	1	1	2	14		1	19	3	
1976	5		3	8	2		4	4	2
1977	5	3	5	11		2	8	12	
1978	11	5	2	21	6	1	21	32	2
1979	17	4	8	35	10	4	70	33	3
1980	4	4	7	19	6	13	40	18	2
TOTAL	48	17	27	117	27	22	175	113	11

FY	15	16	17	18	19	20	21	22	TOTAL
1972									3
1973						1			14
1974			1	1	2	2			34
1975		1	1			6		1	50
1976				1		4			33
1977	1					12	1	1	61
1978		2	1	2	2	30			138
1979	1	2	5	1	3	39	1	1	237
1980			2		1	35		1	152
TOTAL	2	5	10	5	8	129	2	11	722

STATE HOUSE OF REPRESENTATIVES ELECTION DISTRICT

FY	1	2	3	4	5	6	7-12	13	14
1972									
1973			2						
1974	1	5	7	2	3		2	2	
1975	5	13	8	10	8		2	7	7
1976	6	7	6	10	23			15	7
1977	13	14	9	29	17		8	19	14
1978	17	25	19	40	15	1	15	37	31
1979	23	25	23	43	45	2	32	45	48
1980	13	22	12	31	22	2	25	46	6
TOTAL	78	111	86	165	133	5	84	171	113

FY	15	16	17	18	19	20	21	22	TOTAL
1972									
1973								1	2
1974	2	1							25
1975	1	1							62
1976						1			75
1977	11	2							136
1978	23	10			1				234
1979	23	41			1	5		1	357
1980	13	62	4		1	7		1	267
TOTAL	73	117	4		3	13		2	1158

STATE HOUSE OF REPRESENTATIVES ELECTION DISTRICT

FY	1	2	3	4	5	6	7-12	13	14
1972									
1973				3	2				
1974	1	1				1	1		
1975	1		1	1	1		2	1	
1976		1			2				
1977		1		1			3		
1978			1				2		
1979		1					2	1	
1980	1						3		
TOTAL	3	4	2	5	5	1	13	2	

FY	15	16	17	18	19	20	21	22	TOTAL
1972									
1973					1	1			7
1974	1	1					1		7
1975			1			1	1		10
1976							1		4
1977								1	6
1978									3
1979					2	2			8
1980					1	3			8
TOTAL	1	1	1		4	7	3	1	52

1-15-80

STATE HOUSE OF REPRESENTATIVES ELECTION DISTRICT

Y	1	2	3	4	5	6	7-12	13	14
972									
973									
974									
975									
976									
977							3		
978	1					1	2		
979							1		
980							1		
TOTAL	/					/	7		

Y	15	16	17	18	19	20	21	22	TOTAL
972									
973									
974									
975									
976									
977			1						4
978									4
979									1
980									1

8-51-1

AN PROGRAM Fisheries Enhancement

DATE _____

STATE HOUSE OF REPRESENTATIVES ELECTION DISTRICT

FY	1	2	3	4	5	6	7-12	13	14
1972									
1973									
1974									
1975									
1976									
1977		1			2				
1978	1								
1979	1	1			1				
1980	1	1		1	1				
TOTAL	3	3		1	4				

FY	15	16	17	18	19	20	21	22	TOTAL
1972									
1973									
1974									
1975									
1976									
1977									3
1978						1			2
1979					1				4
1980									4
TOTAL					1	1			13

HISTORICAL SITES

DATE _____

STATE HOUSE OF REPRESENTATIVES ELECTION DISTRICT

FY	1	2	3	4	5	6	7-12	13	14
1972									
1973									
1974									
1975									
1976									
1977									
1978									
1979				1					
1980				1					
TOTAL				2					

[illegible]

DATE _____

FY	1	2	3	4	5	6	7-12	13	14
1972									
1973									
1974									
1975									
1976									
1977			1						
1978	1	2							1
1979									
1980									
TOTAL	1	2	1						1

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[illegible]

REVENUE DISCUSSION

- I. MAGNITUDE OF REVENUES
 - A. Projections
 - B. Possible Increases
 - C. Possible Decreases
- II. EXPENDITURES
 - A. Operating Budget
 - i. Supplemental
 - a. Freemanized Budgets
 - b. Pay Raises
 - c. Requests
 - ii. FY 81
 - B. Capital Budget
 - i. Supplemental
 - ii. FY 81
 - iii. Cash
 - iv. Bonds
- III. FISCAL ISSUES
 - A. Income Tax Relief
 - B. Privatization
 - i. Alaska Inc.
 - ii. Direct Distribution
 - iii. AGSOC
 - C. Development Plans
 - i. Gas Pipeline
 - ii. Pt. McKenzie
 - iii. Agriculture
 - iv. Bottomfish
 - D. Rural Transportation
 - E. Rural Communications
 - F. Telecommunications
 - G. Land Disturbution
 - H. Energy
 - i. Rural Energy
 - ii. Small Hydro
 - iii. Susitna
 - I. Permanent Fund
 - J. Rainy Day Account
 - K. Foundation Formula
 - L. Revenue Sharing
- IV. MANAGEMENT ISSUES
 - A. Surplus Fund Investment
 - B. Loan Programs
 - C. Revenue Bonding Authorities
 - D. Spooks
 - E. Expo 84

1 IN THE HOUSE

BY THE FINANCE COMMITTEE

2 HOUSE BILL NO.

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 ELEVENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to state grants; and providing for an
7 effective date."

8 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

9 * Section 1. AS 37.05 is amended by adding a new section to read:

10 Sec 37.05.315. PAYMENT OF STATE GRANTS. When an appropriation in
11 a specific amount is made to a person or governmental agency which is
12 not a state agency as defined in AS 37.05.320(2) and the appropriation
13 is a grant, whether the grant is absolute or conditional, the amount
14 granted shall be paid directly to the grantee by the commissioner of
15 revenue when the grant, by its terms, becomes effective.

16 * Sec. 2. This Act takes effect immediately in accordance with AS 01.10.-
17 070(c).

HOUSE FINANCE COMMITTEE

January 16, 1980

2:20 p.m.

All members of the Committee were in attendance, with Representatives Smith, Scaheffer and Guy arriving later in the meeting. Also present: Bertram Wagnon, Deputy Commissioner, and Sharon Traylor, Director, Division of Business Loans, Department of Commerce and Economic Development; Pete Bushre, Commissioner of Treasury, Department of Revenue; John Crandall and Mike Doogan, Administrative Assistants to Chairman Meekins; Milt Barker and Bob Grogan, Fiscal Analysts, Division of Legislative Finance.

PRESENT

Chairman Meekins called the meeting to order and stated Speaker Terry Gardiner has requested the Finance Committee have the budget Free Conference Committee over with by the 135th day (approximately May 20). Brief discussion followed.

Subcommittee meeting dates were discussed. (Copy of subcommittee assignments attached.)

SUBCOMMITTEE
REPORTS

Representative Moss advised a meeting on foundation funding is scheduled for January 24. He stated the teleconference is set for 1:30 p.m. In view of this, Chairman Meekins indicated the Committee might want to meet in the morning.

Representative Rogers announced the University of Alaska subcommittee teleconference is slated for Monday, January 28, at 2:30 p.m. He stated he has scheduled each community college for a certain time, and that the first hearing on UA-J will be next week. Chairman Meekins said there would be no Finance Committee meeting on January 28.

Chairman Meekins advised the Committee would continue with the "Revenue Discussion" sheet (see attachment from January 15 minutes).

REVENUE
PROJECTIONS

There was discussion on the gas pipeline proposal by the Governor.

Representative Moss explained Point McKenzie is a milk producing project for the Anchorage area and that he didn't know the cost yet. He advised agriculture needs supplemental funds for seed fertilizer, etc. He stated there is not enough money in the loan fund to cover costs through June because of the fire last year.

[Representative Smith arrived at this time.]

Representative Moss also discussed the need for agriculture roads in and around the Nenana area.

During the discussion on bottomfish, Mike Doogan stated he did not have the figures for this, but that the Governor has them in his capital and operating budgets. Representative Moss indicated he was interested in the fish mill industry. In reply to a question, Milt Barker stated he hasn't seen any figures yet, but that there is nothing in the capital budget. Representative Haugen stated he would like to know when these hearings will take place.

At this time, Representative Freeman stated he would like to interject his thoughts on the State ferry system regarding the marine transportation program. In all of Alaska, he stated, there is no sufficient dry dock facilities; therefore, the State has had to send the ferrys to Seattle for repairs and maintenance. From a study that was done, he said, the consultants indicated about \$7 million per year is spent in labor force outside the State for maintenance of the ferry system. He advised of the proposal for the State to build dry dock facilities and lease them to private enterprise. He indicated they would also be available to handle fishing vessels. During discussion, Representative Moss stated he feels more ferrys are needed to handle transportation of grain to the interior.

[See transcript on rural transportation, rural communications and telecommunications attached.]

Regarding land distribution, Representative Freeman advised he and members of last year's Free Conference Committee on the land bill will be meeting with Administration. He stated he would advised the Committee of the outcome.

Representative Rogers discussed various energy projects. Regarding Susitna, he stated at least \$7-1/2 million is needed for the phase II portion of the project. Figures and bond issues were discussed.

Reporting on small hydro-electric projects, Representative Haugen discussed the need for a long-term, low interest revolving loan fund to be taken out of surplus funds.

[Representative Schaeffer arrived at this time.]

Representative Freeman asked if these funds would be staggered out, and Representative Haugen indicated yes. Representative Haugen stated there is a meeting on January 24 with the consultants they have had.

Regarding the permanent fund, Representative Freeman stated the special committee bill, last year, stalled in the Senate. In expressing his views on direct distribution, he stated he would go for increasing the contribution if that is the only way to accommodate passage of the bill. However, he stressed he feels the Legislature should assess the situation each year and make a determination; i.e., with the Legislature exercising control. Further discussion followed.

Chairman Meekins briefly explained the rainy day account. He stated he feels there should be approximately six months operating expenses set aside should something happen to the pipeline. The permanent fund, he stated, would not be easily or readily accessible in an emergency. He commented, hopefully, it would accrue at the same rate as the budget.

Revenue sharing was discussed. Chairman Meekins advised the request from the municipalities is for full funding. Representative Freeman commented he feels "the Legislature would be better off to send the money back to the people and let the municipalities get it from them."

[At this time, Chairman Meekins introduced the Finance Committee page, Elena Peters, from Bethel.]

INTRODUCTION
OF HFC PAGE

Chairman Meekins noted he would like to add Expo 84 to the "Revenue Discussion" list under Item IV. Management Issues. He stated he feels it is a good idea and really has some merit.

Representative Moss asked if they were going to pay off the Native Claim. Chairman Meekins noted that should definitely be on the list and that an additional \$155 million appropriation would pay this off.

In discussion on revenue bonds, Chairman Meekins brought up the question of whether they should appear before the Committee for bonds over a certain amount.

The rumored 600 new employees was discussed, and Chairman Meekins advised the Finance Committee has sent a letter demanding a breakdown on those employees. He added CIP's are included in the 600 figure, but he doesn't know how many are federally funded and how many are general funds.

Chairman Meekins brought HCR 33 up for discussion:

HCR 33: Requesting the Governor to direct action relating to the investment of surplus state funds and the participation of state agencies and corporations in loan programs of benefit to the state's economy.

HCR 33

There was discussion on bank participation. Chairman Meekins asked for comment from the Department on how they would feel if the Legislature passed a resolution or requested that bank participation be eliminated.

Bert Wagon referred to paragraph 3 of his January 15, 1980, memorandum (see attachment to January 15 minutes) dealing with that subject. He noted that, if participation by banks is eliminated, they would lose efficiency in the processing and monitoring of loans. He pointed out the State would have to put more employees on the payroll to accommodate the increase in workload. He stated he also understands the complaint that banks are restricting their loans.

Chairman Meekins asked if the Department had more people would they make more loans. Mr. Wagon answered yes, that the \$90 million indicated by the Legislature is their target. He also commented he feels it is a learning process between the State and the private sector as to what is required in making these loans.

There was discussion on Department policy on collections and foreclosures. Also discussed was the Matanuska-Susitna Valley housing development concerning a possible extension of loan payments over a given period. Mr. Wagon will breakout out that and provide those figures to the Finance Committee by Friday, January 18.

REQUEST

In answer to a question, Mr. Wagon explained the turnaround time in applications for granting the loans is ten weeks. Before bank participation was reduced from 25% to 10%, Sharon Traylor indicated it was running between four to six weeks.

There was discussion on whether bank participation is required by statute on small business loans. Mike Doogan read the statute which says there is no prevailing rate regarding bank participation. Mr. Wagon pointed out that tourism loans in excess of \$150,000 have a 20% statutory requirement of bank participation.

Mr. Dugan advised HCR 33 will require that the State purchase up to \$35 million new loans per month and that money be made available at the rate of 9 1/2% to the borrower.

Chairman Meekins asked Pete Bushre how Revenue would respond to the passage of HCR 33. Mr. Bushre indicated he feels the Department would do its best to respond favorably to the resolution. However, he stated he would like to caution the Committee that the Department would like to supplement, at all times, existing secondary markets for these types of loans.

Regarding the time limit of each month, Mr. Bushre commented it is only possible to do as long as the State has the surplus funds.

There was discussion on long-term financing, with Mr. Bushre stating he feels the State should concentrate on this and that interim construction loans would be more readily available from private financing.

Representative Moss stated he is upset with the banks. He commented the complaints he gets regarding agriculture loans from his constituents is that they first must prove they don't need the money before the bank will loan to them.

Chairman Meekins advised a determination will have to be made as to what the social goals are. He stated, if the private sector cannot or will not make loans, only then should the State become involved.

There was further discussion regarding credit union loans. Mr. Bushre pointed out there are 29 credit unions in Alaska and that the small ones do not do mortgage loans. He noted most of their lending would go for consumer products. He also added that the Department has requested that the credit unions issue certificates of indebtedness. He indicated the credit unions had no objections to this.

There was brief discussion on the option to purchase insurance and the cost being 1/2 of 1%.

The meeting adjourned at 4:10 p.m.

ADJOURN

Tape HFC 80-4 Side 1 #001 - End
 Side 2 #001 - End
80-5 Side 1 #001 - #421