Introduction and Scope

A topic as broad as Property Taxation, Land Use, and Environmental Policy requires some limitation of scope even to worry about it—to say nothing of analyzing it. Accordingly, in this paper I have chosen to treat these three subjects as they bear on Alaska.

The choice of focusing on the Alaska case is not a casual one, and several ends are served. First, I know a fair amount about it—a necessary (though not sufficient) condition to a respectable paper. I was the economist member of an obscure three-man presidential committee for developing Alaska created by President Johnson and the governor of Alaska in the aftermath of the 1964 Alaska earthquake. More recently I served as economist and legislative assistant to the junior senator from Alaska. And most recently, in the Economics Division of the Congressional Research Service, congressional inquiries on the economics of Alaska are among those inquiries that come to me for resolution. Second, the Alaska case is a peculiar and interesting one in that land and land resources dominate nearly everything about Alaska—its physical features, its institutional characteristics, its unfolding development, and its public policy needs.

The views expressed are those of the author and do not necessarily represent the views of the Congressional Research Service or the Library of Congress.
Sixteen years into statehood, Alaska in many ways is at the stage of our western states of, say, eighty or a hundred years ago. This, of course, provides opportunities as well as problems.

Third, as the most idle reader must note, issues about Alaska are very current, and almost all of them have to do with land use and environmental preservation—the trans-Alaska oil pipeline and now the proposed gas pipeline, underground nuclear testing, taking of sea mammals, the clearcutting of timber, the construction of new towns, minerals extraction, the elaboration of a transport system, the creation of a park system, state and Native land selection, to name a few. In short, Alaska has become the arena where the forces of environmental and social and economic development are being played out in a major "high stakes" fashion with the outcome of obvious significance to the state and of substantial consequence to the rest of country. The Alaska case may not be so peculiar as to preclude generalizing from it. Further, since such a large proportion of Alaska is still public land, it is a legitimate occasion for "outsiders" to look in on what is happening there.

Finally, it seems logical to ask what part property taxation as one instrument of public policy might play in all this. As a new entity faced with old and new problems Alaska and its localities have the opportunity at least for innovation and fresh directions, or at a minimum for avoiding pitfalls and mistakes of the past. It is the advantage of "coming last."

The task, then, is to say something of the likely future of the property tax in Alaska and assess how far it may be a useful device in reconciling environmental and developmental considerations there.

Land and Land Use in Alaska

Some numbers and magnitudes are perhaps helpful to recall. Alaska's sheer enormity has many implications. It is about 375 million acres in area (over two and one-half times the size of Texas), it spans 17 degrees in latitude and 40 degrees in longitude. Said another way, the expanse of the state equals that of the forty-eight contiguous states from coast to coast and border to border because of the great length of the Aleutian Chain and southeastern Alaska projecting from the great land mass of the state. Its boundary is 3,200 miles long and its coastline is half again as great as the total coastline of the conterminous forty-eight states.

The present population of Alaska is 357,000, and it is therefore the least populous of the states both in absolute terms and in density. It is in fact at the very early stages of development, with its communities confined to coastal areas and along rivers. One city, Anchorage, has almost half the state's population. A major push inland awaits the development of a sur-
face transportation system which in turn awaits the need for developing Alaska's vast land, mineral, and recreational resources.

When the U.S. bought Alaska a century ago the population was about 35,000, of whom only a tiny fraction (perhaps 500) were non-Native. The population doubled by 1940, doubled again by 1950, grew by another 80 percent by 1960, and by almost 40 percent over the last dozen years. Meanwhile the percentage of Native population (Aleuts, Eskimos, and Indians) fluctuated as non-Natives came and left Alaska in boom and bust periods, until Natives now comprise about one-fourth the total (some 85,000 people).

At the granting of statehood, about 96 percent of Alaska was public land. Even after state and Native land selection (discussed next) is completed, the federal government will still own 59 percent of Alaska, which continues to be the largest public land state. Most of the state is now unincorporated and is part of no organized local entity. There are no counties in Alaska, but rather eleven boroughs which perform a similar function. These boroughs taken together make up 161,000 square miles, ranging from 1,200 square miles in the case of the Bristol Bay Borough in southwestern Alaska to 88,000 square miles for the newly formed North Slope Borough in Arctic Alaska. Nor is there any ready correlation between area and population of the boroughs, as can be noted in a glance at table 7.1.

**TABLE 7.1**
Alaska City and Borough Populations and Areas

<table>
<thead>
<tr>
<th>Locality</th>
<th>1970 census</th>
<th>Estimated square miles</th>
</tr>
</thead>
<tbody>
<tr>
<td>City and Borough of Juneau</td>
<td>13,556</td>
<td>3,100</td>
</tr>
<tr>
<td>City and Borough of Sitka</td>
<td>61,109</td>
<td>2,900</td>
</tr>
<tr>
<td>North Slope Borough</td>
<td>3,322</td>
<td>88,281</td>
</tr>
<tr>
<td>Bristol Bay Borough</td>
<td>1,147</td>
<td>1,200</td>
</tr>
<tr>
<td>Fairbanks North Star Borough</td>
<td>30,618</td>
<td>7,500</td>
</tr>
<tr>
<td>Greater Anchorage Area Borough**</td>
<td>102,994</td>
<td>1,500</td>
</tr>
<tr>
<td>Kenai Peninsula Borough</td>
<td>15,836</td>
<td>25,600</td>
</tr>
<tr>
<td>Ketchikan Gateway Borough</td>
<td>10,041</td>
<td>1,250</td>
</tr>
<tr>
<td>Kodiak Island Borough</td>
<td>6,357</td>
<td>4,500</td>
</tr>
<tr>
<td>Matanuska-Susitna Borough</td>
<td>6,509</td>
<td>23,000</td>
</tr>
<tr>
<td>Haines Borough</td>
<td>1,351</td>
<td>2,200</td>
</tr>
</tbody>
</table>


* Exclusive of military residents.

** At the end of 1974 the Eagle River Chugiak Borough was formed out of the Greater Anchorage Area Borough as separately incorporated.
At the next unit of government, Alaska has only 14 cities which are empowered (along with the boroughs) to levy the property tax. These range in (population) size from North Pole, Alaska, at 265 people, to the city of Anchorage. In addition there are about 180 Native villagers, ranging in size from 25 to 2,500 people, scattered generally in coastal and rural Alaska.

In understanding the importance of what is going on in land policy issues in Alaska two crucial milestones must be treated in some detail. One is the provision in the Alaska Statehood Act for state selection of public lands and subsequent state behavior; the other is the 1971 “full and final settlement and extinguishment of any and all claims” for the lands of Alaska by the aboriginal citizenry.

Under the Statehood Act Alaska was granted the opportunity to select for itself 104 million acres of land over a twenty-five-year period (i.e., by 1984). The idea was that the new state should be launched on its way with the chance of “succeeding” fiscally, enhanced by being allowed to choose “the choice land.” Some selections were easy, but it was soon seen that knowing which lands were choice and which were not depended on information—what was under the lands and what was on them. It also depended on what land management improvements federal agencies were willing to pursue in the performance of their regular programs.

State selection was slow, and by 1970 only about 17 million acres had gone into state hands, with perhaps another 11 million acres applied for. Besides the tendency to delay land selection until more was revealed about the value of the land resources, there were several other reasons for slowness on the part of the state. The transaction itself was a major one, dealing with such immense magnitudes, and not a simple process. Further, certain federal aid formulas applicable to Alaska (e.g., highway assistance) were tied to the amount of federally owned land in the state, and therefore each acre that went over to the state eroded away the total dollar contribution of the federal government. Also, the cost of managing massive amounts of land is very considerable (the Bureau of Land Management budget for Alaska is about $20 million annually), and as long as the feds owned it the state didn’t have to carry this burden. Finally, Native groups in the late 1960s began filing protests to further state land selection, fearing that as more of the land passed to state (and other) hands it would become all the more difficult to gain a favorable settlement of their claims to the land. State selection does not mean continued state holding of the land, because much of it presumably would be sold or leased to private parties. Increasing industry attention and exploration activity on the land resources of Alaska and the dramatic North Slope oil discovery served to heighten these concerns.
Recognizing that these interests had to be reconciled, the Secretary of the Interior issued a “land freeze” order that stopped all public land transactions until these conflicts could be resolved and titles to the land cleared. Subsequently, the federal courts ruled that nothing should happen to the lands of Alaska wherever Natives had filed claims, until the Congress sorted out the ownership problem. The advent of a great oil find became not only the proximate cause for bringing to a head the issue of Native claims to the land, but as it turned out, a crucial part of the solution.

This, then, was the situation. The State of Alaska was anxious to proceed with its “rightful” selection of land; the Natives were increasingly active in pressing their claims to the land (almost all of Alaska was claimed) with a focus on what might be under it; the oil industry (and other development interests) were anxious to have the uncertainty of clouded titles to land alleviated; and the federal government was ready to resolve once and for all the lingering Native claims issue, prodded in part by the societal forces flowing in favor of all American minorities. The environmental forces were at that time only dimly aware of what a Native claims settlement might mean to their interest.

Legislation was introduced in 1969 to settle the Alaska Native land claims. The Senate Interior Committee held extensive public hearings on the several bills proposed, and the House Interior Committee did the same. Intensive Executive Sessions of the Senate Interior Committee followed in which the major concepts of the bill were agreed to after sustained debate and many record votes. The result was that on June 11, 1970, the Senate Interior and Insular Affairs Committee favorably reported for consideration by the full Senate S. 1830. After two days of debate on the Senate floor the bill passed 76 to 8, with relatively minor amendments.

For our purposes here the key provisions of the Senate bill were:
1. $500 million payable over twelve years with no interest;
2. a 2 percent royalty upon leasable minerals, not including lands “tentatively approved” for state selection or bonuses already paid to the state from the $900 million oil lease sale on the North Slope in 1969, until $500 million would be reached;
3. approximately 11 million acres of land, primarily around villages under the formula of one township (23,040 acres) per village, plus an additional township for every increment of 400 people;
4. real property interest conveyed under the Act to be exempt from state real property taxes for twelve years, except that municipal taxes, real property taxes, and assessments could be imposed upon real property within the jurisdiction of any Native village incorporated as a munici-
palty. Also rents and profits derived from leasing or other business transactions with the land would be taxable.

For its part the House Interior Committee held further sessions on the legislation, but failed to report out a bill before adjourning in December.

With the convening of the new Congress the identical bill that had passed the Senate in the 91st Congress was introduced as S. 35 by Senators Jackson, Gravel, and Stevens on January 25, 1971. This time, however, the Senate Interior Committee decided not to act on the bill until the House acted—or at least showed definite forward movement on the matter. Meanwhile the Secretary of the Interior kept extending the Alaska land freeze a few months at a time in order to allow the Congress time to act on the land claims legislation.

Subsequently, the Alaska Natives had their own bill introduced, demanding 60 million acres in the land package—up from their previous call for 40 million acres. Further, through skillful lobbying efforts the Alaska Native organizations were able to persuade the Administration to actively back a provision for a 40-million-acre settlement.

The diverse forces for settlement reached a crescendo in the early fall of 1971, and the House Interior and Insular Affairs Committee reported favorably (with one dissenting view) its bill H.R. 10367 on September 28, 1971. After a moderately tough floor fight involving several conservationist amendments the House passed the bill 334 to 63 on October 20, 1971.

The key features of the House bill were: a $425 million cash award over ten years; acceptance of the 2 percent royalty idea until $500 million accrues; a land package totaling 40 million acres around villages, of which about 18 million could be selected ahead of the State of Alaska and the remaining 22 million selected after the state had finished its statehood selection.

Spurred on by the House action, the counterpart Senate Interior Committee held additional public and executive sessions on the several bills before it and on October 21, 1971, favorably reported S. 35 with certain important changes. Compensation was again set at $500 million, and timber revenues were added to mineral revenues from the land resource in contributing to the $500 million revenue-sharing pot.

But by far the most important change was in the land package, it having become clear that the obstacles to settlement centered not around money but around land. To the surprise of everyone the Senate committee provided two alternative land provisions from which the Natives could choose in a statewide referendum vote. The first option was 40 million acres in fee, the bulk of which would be contiguous to the Native villages. The second option was a land grant of 20 million acres, to be selected for their economic potential as mineral, timber, or recreational lands; and permits
to use 20 million acres for subsistence purposes (hunting, fishing, trapping, berry picking, and fuel gathering) under a revocable permit system.

The bill passed the Senate as H.R. 10367 on November 1, 1971, by a vote of 76 to 5.

As the two committees went "to Conference" this meant that any one of three alternatives (or combinations thereof) might emerge as the final settlement. The Natives had to decide for purposes of their own lobbying efforts what weight to give "time preference," that is, 40 million acres now vs half now and half later; how to evaluate larger contiguous selection rights around villages as against smaller free-floating selections in search of valuable subsurface resources; whether to prefer a smaller land package in fee to a larger total land package with only part of it in fee; etc.

Racing against the holiday adjournment schedule again the House-Senate Conference Committee began a series of nine executive sessions on November 30, 1971. On December 19, 1971, both Houses passed H.R. 10367 and the 104-year issue was at least legislatively over. President Nixon signed the bill into law four days later.

In the final outcome the law provides that Alaska Natives will receive title to 40 million acres around 220 villages selected from 25 townships withdrawn around each village. The cash compensation settled at $462.5 million, and the revenue-sharing remained at $500 million. The tax-exemption provision for undeveloped and unleased real property held by Natives was retained and extended to twenty years.

The Alaska Native Land Claims Settlement necessarily altered a number of existing relationships. Relationships between the state and federal governments were placed under strain and altered by the land claims settlement process. The settlement was by definition an ethnic one based on aboriginal rights and directly impacted on only 20 percent of the state's population. Perhaps more important, however, was the impact on the land resource and therefore the rest of Alaska. Prior to the settlement, the federal government had withdrawn from general use about 151 million acres for various purposes. Overall, the Department of the Interior managed about 330 million acres of the federal lands in national parks, national monuments, wildlife refuges and ranges, and unappropriated public domain. Other federal agencies holding significant acreage are the U.S. Forest Service and the Department of Defense.

Perhaps the most serious conflicts, and the conflicts that came closest to delaying the settlement, came in the relationship between the state government and the Alaska Natives. Both parties were competing directly for the most valuable land in Alaska. Resolution of the conflict came at the eleventh hour of negotiations, and three years into the implementation of the act's provisions things may yet flounder on this point.
Of course the principal question was one of priority. Who would have prior selection rights to land? Secondly, but closely related, was the question of which lands. The natives were insistent that some portion of the land settlement be "free-floating"—that is, with unrestricted selection rights in the federal domain. The state opposed this concept. The state wished to restrict the areas eligible for Native selection to land contiguous to villages rather than permit Natives to select at will for economic potential.

This argument ran directly counter to the one made by most Native leaders. They argued that to force the principle of contiguity would be tantamount to creating super-large reservations. There was no valid reason, they argued, to foreclose their selection right to land that might not have as great an economic value.

The settlement compromised these positions generally closer to the state's viewpoint. The Natives have a prior selection right to 22 million acres of land contiguous to the villages named in the Act. Following village selection, the regional corporations will select from townships remaining within a withdrawal area that approximates 25 townships surrounding each village. These selections need not be contiguous. Thus the areas of withdrawal and selection are defined by the Act. Again the implementation of this provision has not been as clear of conflict as the authors intended. Withdrawals and selections have been challenged by both sides and by the federal government as well.

Two other provisions important to our land-use story deserve mention.

The state had opposed creation of a federally chartered land-use corridor that would generally follow the 800-mile route of the pipeline from the Arctic Slope to the Gulf of Alaska. The state believed such an action would create a type of Panama Canal Zone, where state authority could not be exercised. Environmentalists supported the federal position, feeling that the feds would be easier to deal with than the state. This issue was compromised (more in principle than in practical effect) by removing the direct establishment of the pipeline route from the Act and conveying the authority to the Secretary of Interior to establish it, if he so desired. * The Secretary did.

Toward continuing management of Alaska's land resources, the federal and state governments established a Joint Land-Use Planning Commission. Language creating the commission was incorporated in the land claims bill, and counterpart legislation was passed in the state legislature. This commission was directed to undertake comprehensive land-use planning for public lands, including lands to be conveyed to Natives. It was charged with reviewing all proposed federal withdrawals, making recommendations on proposed land selections, recommending patterns of
usage, and helping resolve conflicts. The commission was given no enforcement authority, but commands considerable public attention, and therefore has become an important factor in land-use decisions in Alaska.

From the public policy point of view it was important that in the pushing and hauling over ownership of the lands of Alaska the character, or at least the outcome, of the legislation not be a land disposal transaction but have a land-use emphasis. The Federal-State Land-Use Planning Commission has the chance of achieving that hoped-for result. In August 1973 the commission made its initial recommendations to the Secretary of the Interior on a major land-use issue in the aftermath of the Native Land Claims settlement and has since met periodically with the Secretary and with the House and Senate Interior committees on easement and other issues.

In order to protect the public lands of Alaska and provide for an orderly sorting out of these large quantities of land the Act directed the Secretary of the Interior to withdraw “from all forms of appropriation” up to 80 million acres of unreserved public lands which he deems are “suitable” for addition to or creation as units of the National Park, Forest, Wildlife Refuge, and Wild and Scenic Rivers Systems.\(^5\)

The Secretary had nine months to make his initial withdrawals and had two years to make formal recommendation to the Congress for classifying these lands in one or another system. Those areas not recommended are available for appropriation. Those areas recommended by the Secretary but not acted upon by Congress within five years become available for appropriation. Initial withdrawals were made in September 1972 by Public Land Orders 5250 through 5257. Recommendations for classifying these lands were made in December 1973 as S.2917 but had not been acted upon by the Congress by the end of 1974.

These provisions too were compromises, but in favor of the environmentalists. They wanted all of Alaska lands withdrawn and a five-year

<table>
<thead>
<tr>
<th>TABLE 7.2</th>
<th>Legislative Proposals* for Classification of National Interest Lands in Alaska (in millions of acres)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Additions to</td>
<td>Bill S. 2917 (Administration's)</td>
</tr>
<tr>
<td>Park system</td>
<td>32.26</td>
</tr>
<tr>
<td>Wildlife refuge</td>
<td>31.59</td>
</tr>
<tr>
<td>Forest system</td>
<td>18.80</td>
</tr>
<tr>
<td>Wild &amp; scenic rivers</td>
<td>.82</td>
</tr>
<tr>
<td></td>
<td>83.47</td>
</tr>
</tbody>
</table>

*In addition to S. 2917 and S. 2918, Congressman Dingell has proposed setting aside 133.5 million acres in Alaska for wildlife refuges, in H.R. 2295.
moratorium on land transactions there: the state, for economic and financial reasons, wanted a smaller withdrawal and a shorter period. Having had the lands "frozen" for five years already, the state did not look forward to the prospect of an additional five-year "delay."

As mentioned, the two-year period for recommending what to do with the 80-million-acre withdrawal expired in December 1973. Pending before the Congress are the contents of two bills—S.2917, the Administration proposal, and S.2918, a citizens' proposal introduced by Senators Jackson and Fannin by request. The major categories and the amounts of delineated acreages in each bill appear in table 7.2. Besides the obvious importance of land classification to the simple matter of how much is added to which systems, is the crucial and controversial issue of the nature and extent of mining activity that can go on in Alaska as a result of being classified under one system rather than another. For its part, the Land-Use Planning Commission recommended that some 60 million acres or three-fourths of the classified lands be open to exploration and extraction of minerals.

The present situation is that the Alaska Natives are moving ahead in selecting 40 million acres of their allotted land while state selections are impeded in areas around each village; after four years, state land selections around the villages will be unimpeded; state land selection outside these areas is now proceeding toward the balance (76 million acres) of its 104 million acres statehood promise; except that neither party can select any of the 80 million acres which the federal government withdrew as mentioned above.

What's beginning to unfold in Alaska in the resolution of its land issues seems to be a good example of what has been elsewhere called "the quiet revolution in land-use control." There is an increasing awareness of scarcity and limited supplies. There may even be a changing concept of land, indicated by the distinction between land as a resource as opposed to viewing it as merely a commodity. The earlier philosophy of land regulation as narrowly a matter of maximizing private property values is grudgingly giving way to a broader notion of social and environmental considerations.

Also there remains the question of federal/state and state/local relationships regarding land use regulation, though these are in part being worked out by the novel commission previously described. The tough question of knowing just what the really big land decisions are and which ones to address continues to be perplexing. Finally, there lurks in the background in a constitutional system such as ours (coupled with an economic system based on property rights) big unresolved questions of the
limits of regulation, for example, when do regulations, restriction, or prevention of a particular land use become "taking?"

Environmentalism and Alaska

It seems fair to say that, flushed with a victory over the Supersonic Transport, the environmental movement has made Alaska (particularly with the oil pipeline issue) the next arena where the national guilt feelings can be vented. And there are, of course, legitimate environmental concerns about what happens there.

For the purposes of this paper, environmentalism is roughly equated with pollution control and pollution abatement. The kind of pollution to be considered is of the eye-car-nose-and-throat variety, that is, scenic, noise, air, and water pollution. With this in mind it is helpful to survey sector by sector the specific environmental degradation issues associated with each of the major elements of Alaska's economy.

Oil and Gas

In the exploration phase the problem is one of damage to the land—especially in permafrost areas—through vehicle movements and campsite construction in support of drilling activity. During the construction phase the culprits are haul roads, major work camps, waste material disposal, digging and filling (about half of the proposed oil pipeline will be buried), and destruction of wildlife.

At the operations stage the pollution control problems largely shift from a terrestrial to a marine context. While the spectre of a ruptured 48-inch-diameter pipe spewing oil over the fragile tundra is a haunting one (and even here the concern is mostly the messing up of watersheds), the main considerations become damage to the fisheries should spillage occur at the terminal port facilities and spills from tanker collisions and ballast operations. No significant refining activity is seriously contemplated for Alaska, though the appearance of a petrochemical derivative industry is quite possible.

Mining and Minerals

The minerals that are likely to be exploited in Alaska in significant amounts are coal, copper, fluorspar, tin, and tungsten. Of these only coal is now actively mined. The environmental worry in these cases centers on strip mining, stream pollution, dredging, waste material disposal, and access road construction. This sector is one of the two most controversial (the other being forestry) with respect to implementation of the multiple-
use concept. Here is where the hardest lines are drawn between the environmental and the developmental forces. As mentioned, the Land-Use Planning Commission in its recommendations tries to walk the tightrope by allowing 60.8 million acres of federally withdrawn land for mineral exploration and extraction but qualifies this in several ways. On 2.7 million acres only oil and gas exploration and extraction would be permitted; on 294,000 acres only geothermal exploration and production would be allowed; on another 910,000 acres only exploration for inventory purposes (no production) would be permitted; and on about 14 million acres mineral exploration and extraction would be allowed "but only under careful regulation."

**Forest Products**

Unlike the mining sector, the forest products sector is currently an economically active one, though geographically limited (with few exceptions) to southeastern Alaska. Pollution control problems are pulp mill effluents, the practice of clear-cutting timber, haul road construction, and salmon stream degradation. The multiple-use concept is in contest in this sector as well. When and if the forests of interior Alaska become commercially feasible, presumably most of these problems will occur there.

**Fisheries**

In this important sector of the Alaskan economy the main pollution problems are oil spills and fish waste disposal around the coastal canneries. This is one of the few sectors where significant pollution damage is already being experienced in Alaska.

**Tourism and Recreation**

The tourism and recreation sector makes up perhaps 15 percent of the state's economy and can be expected to grow markedly in absolute if not relative terms. Pollution control issues obviously are central to the establishment and management of national and state forests and park systems, wilderness areas, fish and wildlife refuges and preserves, and wild and scenic rivers in Alaska. A complicating factor peculiar to the Arctic and sub-Arctic regions is the limited level of utilization that particularly fragile areas (for instance, the tundra) are able to stand without undue damage.

**Utilities and Communities**

As might be expected in an underdeveloped region, the utilities sector in Alaska is just emerging—transport, power, communications, and community facilities systems. In the transportation field only the airport system is well developed; in the power generation field hydroelectric is a major
component, and the small population and limited manufacturing sector mean that the total power requirement is small in any event. Gas-, oil-, and coal-fired plants are in existence in the populated areas. Two military petroleum and petroleum product pipelines operate in Alaska, the private trans-Alaska oil pipeline is now being constructed, and a national gas pipeline has been formally proposed.

Community development in any frontier region always presents pollution problems of the visual variety. Zoning requirements tend to be minimal, architectural and planning attention slight, when the primary object seems to be to subdue the land and establish footholds for community development.

In sum, then, Alaska is not presently faced with the whole range of pollution problems bearing in on the rest of the country. Air and noise pollution is minimal, scenic pollution coincides with the few major communities. Water pollution is the main danger and centers on the two industrial sectors—oil and forestry activity.

**Property Taxation and Alaska**

Turn now to the third strand of this story—the property tax in Alaska.

For a glimpse of magnitudes, table 7.3 was constructed to give selected general revenue data for the state in 1973. Only $41 million of property tax

<table>
<thead>
<tr>
<th>TABLE 7.3</th>
<th>Selected General Revenue Data for Alaska, 1973 (in millions of dollars)</th>
</tr>
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<tbody>
<tr>
<td></td>
<td>Total general revenue</td>
</tr>
<tr>
<td>Alaska</td>
<td>$538.5</td>
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</tbody>
</table>


*Includes federal payments.

**The next lowest states after Alaska are Delaware at $60 million and Wyoming at $87 million in receipts from the property tax.

<table>
<thead>
<tr>
<th>TABLE 7.4</th>
<th>Property Tax Data for Alaska and the U.S., 1972-73</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Per capita amounts</td>
</tr>
<tr>
<td>U.S. average</td>
<td>$215.78</td>
</tr>
<tr>
<td>Alaska</td>
<td>$125.85</td>
</tr>
</tbody>
</table>


*From state sources only (exclusive of payments from the federal government).
receipts were collected out of a total tax take of $163 million. These are the lowest amounts for any of the states. Table 7.4 compares the Alaska case to the national average in per capita amounts for the property tax and dependency thereon.

Note that the per capita amount collected in Alaska is substantially below the national average—$125.85 vs. $215.78. Note too that while nationally the property tax provides 37 percent of total state and local tax revenue, in Alaska the figure in 25 percent. Further, for states generally, receipts from the property tax comprise almost one-third of all General Revenue, while in Alaska only 12 percent is attributable to property taxation. And this differential would be even greater if figured against all general revenues the state receives including federal assistance, because per capita federal payments are $618 as against $187 on a national average. The point of all this is simply that Alaska has not so far become unusually dependent on the property tax, despite the way in which land dominates its behavior and its future.

There is no statewide property tax (except in the case of the oil industry), and no state-level tax assessment review agency. The property tax is contained in the Alaska constitution and is rated as "middle range" in the amount of detailed spelling out. The basis for assessment is full and true value, and assessment-sale ratio studies are conducted annually. Municipalities collect ad valorem taxes on nonbusiness vehicles, aircraft and boats, of which there are many. Intangibles are exempt from ad valorem taxation. Mobile homes are taxed.

As of January 1974 the full-value determination of taxable property in Alaska stood at $4.85 billion. Of this amount 82 percent was real property and 18 percent was personal property. Combined assessed values (as distinct from the full value) totalled $4.47 billion or about 92 percent of the full-value determination—local exemptions and exclusions accounting for the difference. Somewhat less than half the assessed value is in the Greater Anchorage area.

The growth of the property tax base in Alaska has average 17 percent annually over the past ten years, increasing from just over a billion dollars full-value determination in 1964. Even this rapid growth can be expected to increase dramatically as the land ownership issues of state and Native selection and pipeline developments treated in the earlier sections clarify in the near term.

At an earlier time Alaska had on the books an Industrial Incentive Act which involved forgiveness of property taxes. This was, happily, stricken from the statutes in 1971. Alaska is, however, one of seventeen states which have provisions for preferential assessment of farm use land designed to encourage preservation of open space land. The law was care-
fully drafted to avoid abuse through land speculation for nonfarm use, a considerable danger in Alaska. Even at that, the tax cost in Alaska (as elsewhere) of holding land remains lower than the tax cost of holding other assets that might be bought by the sale of land. This widespread special advantage for landowners follows what has been called “the tendency of all twentieth-century tax systems to snoot anything that moves and to spare anything that stands still.” Motion is penalized and inertia rewarded. The Alaska landowner sits on his property while the economy grows (or inflates) around him.

While Alaska’s earlier approach was tax preferences for industry, it is fashioning an aggressive tax policy in dealing with the oil industry. As yet this has not included considering the tax instrument as an environmental control device.

Not surprisingly, each session of the Alaska State Legislature has before it property tax legislation treating the oil and gas industry specifically. Faced with the prospect of all the individual local governments in the oil areas and along the 800-mile pipeline route moving to get “a piece of the action” by taxing its chunk of the line and the construction equipment and permanent structures associated therewith, the state moved in 1973 to preempt the field. The oil industry, though not ecstatic over the state’s approach, had an understandable preference for the certainty and uniformity it expected would result.11

Effective January 1974 the state’s legislation (1) while not precluding local taxation of the pipeline severely constrained it, (2) taxed all property used in the exploration, production, and transportation of oil and gas at a 20-mill rate12, and (3) exempted from property taxation oil and gas leases and oil and gas in place. A “final certified assessment role” as of the statutory commencement date for construction of the trans-Alaska oil pipeline (April 1974) was set at $723 million. The numbers get large very quickly.

If the 48-inch pipeline is valued at cost, for example, a $5 billion line works out to $6.25 million per mile. A 20-mill rate would produce a tax of $125,000 per mile or $100 million annually over the whole line. If the estimated construction equipment and materials are valued at cost, the additional $1 billion assessment would result in $20 million more. These taxes will apply whether or not the equipment or pipeline is located on federal land.

I start with the proposition that as between state and local government in Alaska, taxation of the oil industry should be allowed both, with the severance tax, gross receipts tax, and the income tax the main tax sources for the state, and the property tax and the sales tax the main sources for local governments.

The state’s move into property taxation in the case of the oil pipeline
may have merit on administrative grounds, but the revenues secured from partial preemption of property taxation along the pipeline should in the main be returned to the governmental entities the line traverses. A fair division of the revenues might be one-third for the state's general fund, arising out of its role as a collection agency and the fact that much of the pipeline route lies in state lands, and two-thirds for the local governments along the route. This latter apportionment could be allocated among the particular boroughs (now two) and cities (now two) using the existing formula embodied in the Federal Revenue Sharing program for distribution of funds to localities. The advantages of this are that the formula is increasingly familiar and comprises three factors—population, general tax effort, and a relative income factor.

The property taxes thus apportioned would be (as mentioned) substantial, but not huge. For purposes of exposition, if the $120 million annual total take suggested above were to be the number and if two-thirds of that were to be rebated to the four present areas of origin along the pipeline route, the amounts are not overwhelming. Moreover if, as would seem likely, new boroughs and old municipal boundaries would be extended into the pipeline corridor in order to participate in the proceeds of the rebate, the portions would be still more modest. This would still be a force toward fostering local governments—perhaps four more if Native regional corporation boundaries were approximated and three if census division lines were followed.

On the question of whether property tax receipts from the pipeline should accrue to the state as a whole or should at least in part go to local governments along the route, several points come to mind. One is that the property tax is, as we know, a revenue source traditionally left to local governments. Another is that the windfall aspect of the "happenstance" that the line traverses certain subdivisions and not others has long been honored in property taxation. And finally, unless there is a conscious state policy against it, the encouragement of local government formation and the broadening of the revenue base would seem to be desirable.

Conclusion

What can be said, then, about property taxation as an instrument of environmental control in the Alaska case in particular and in the nation at large? I believe that the use of property tax as a major pollution control device will not come to Alaska nor be widely used elsewhere, for both pragmatic and theoretical reasons.

Recall that the whole question arises at all because of three facts. First,
the environment which has traditionally been a common-property resource and freely usable by anyone has taken on the properties of an economically scarce resource. Second, the situation is characterized by the familiar phenomenon of externalities—costs generated, with no direct consequences for the one giving rise to the costs. In economic terms, the statement is that firms operate on private cost functions which are less than social cost functions where the production of a good or service entails pollution damage. The object of a tax here would be to make the private and social cost functions converge by forcing up variable cost and hence prices of the polluting firm's product to the point where marginal costs equal marginal price, including taxes. Third, taxation is one of only three main methods of control open to government, subsidies and grants and direct regulation being the other two.

Recall too that for whatever reason there have been relatively limited efforts to apply tax policy as a pollution control device. The federal government and seven states offer accelerated depreciation for control facilities. Control facilities are exempt from sales taxes in twelve states, an income tax credit is allowed in six states, and property tax exemption (the most favored tax approach) is allowed in twenty-four states.

Arguments in favor of using the property tax for environmental preservation are, of course, not to be dismissed out of hand. The cost of cleaning up is high, competitive positions can be altered by affecting average cost; abatement does serve the general good; and there is ample precedent for resorting to taxation to influence various kinds of behavior.

But for me the arguments against are more compelling. The tax structure already suffers from too much social engineering, and encouraging one more foray seems to me the wrong direction. Large segments of polluters would be missed by such a tax, that is, the municipalities and state and federal enterprises. This is especially significant in Alaska, where the public sector is so important. Economies in pollution control through cooperation of firms regionally toward securing large-scale equipment and facilities is discouraged by a system which encourages individual action to take advantage of tax-assistance schemes.

Property tax forgiveness may encourage firms to focus on pollution abatement efforts at the expense of devising changes in the production process itself toward lessening pollutant generation. R & D attention thus may also be distorted toward pollution control technologies, and where government underwrites this, that technology or process which is more socially expensive may be chosen because it is less expensive to the firm. Furthermore, consumers (or other parties to the production process) should stand the cost of pollution control and abatement by industry
through higher prices, rather than having the burden fall on taxpayers. This substantially alters the distributional effects of particular pollution control solutions.

Then there are severe practical difficulties in throwing the property tax into the environment control battle. Presumably the focus must be on improvements, since they occasion the damage, not on the passive land itself. Presumably, too, consideration of intangibles doesn't apply. How can one really demonstrate the relation of tangible personal property, say, land, improvements, and machinery to environmental degradation? Does more property mean more pollution, and if so, in what proportion? Or is pollution damage a function of the value of property rather than the amount? Or is land neutral with respect to pollution? Finally, admitting that the occasional instance can be found where imposition (or forgiveness) of the property tax might be appropriate and effective, how well suited is it to the task compared to alternative approaches?

The answers to these and similar questions will doubtless be emerging as the sparse literature is elaborated on this topic. Tentatively my answer to the last one is that the tax laws generally and the property tax in particular should not be a strong force in environmental clean up and protection. Direct regulation is the preferred path to follow.

Notes

3 Congressional Record of January 25, 1971, volume 117, no. 3 Proceedings and Debates of the 92nd Congress. Subsequently the Alaska Natives had their own bill introduced demanding 60 million acres in the land package—up from their previous call for 40 million acres. Further, through skillful lobbying efforts the Alaska Native organizations were able to persuade the Administration to actively back a provision for a 40-million-acre settlement.
4 On March 15, 1972, the Secretary withdrew 5 million acres for the “utility corridor,” along with 1.22 million other acres.
7 Status of Property Tax Administration in the States, prepared by the Subcommittee on Intergovernmental Relations of the Committee on Government

8 *Alaska Taxable Municipal Property Assessments and Full Value Determinations*, Department of Community and Regional Affairs, State of Alaska, Juneau, 1975, p. 23.

9 Ibid., p. 28.

10 *Alaska Statutes*, 29.53.035.

11 The newly formed North Slope Borough which encompasses the Prudhoe Bay field was quickly moving toward both a real and a business property tax that would cover both equipment and the pipeline itself. The North Star Borough (which includes Fairbanks along the pipeline route) on the other hand found itself with neither a personal nor a business property tax.

12 Experience across neighboring Canada for existing pipelines indicates a tax of not over 20 mills is typical.