

CS FOR HOUSE BILL NO. 393(O&G)

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTIETH LEGISLATURE - SECOND SESSION

BY THE HOUSE SPECIAL COMMITTEE ON OIL AND GAS

Offered: 3/26/98

Referred: Resources, Finance

Sponsor(s): HOUSE RULES COMMITTEE BY REQUEST OF THE GOVERNOR

A BILL

FOR AN ACT ENTITLED

1 "An Act relating to contracts with the state establishing payments in lieu of
2 other taxes by a qualified sponsor or qualified sponsor group for projects to
3 develop stranded gas resources in the state; providing for the inclusion in the
4 contracts of terms making certain adjustments regarding royalty value and the
5 timing and notice of the state's right to take royalty in kind or in value from
6 projects to develop stranded gas resources in the state; relating to the effect of
7 the contracts on municipal taxation; and providing for an effective date."

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

9 * **Section 1. FINDINGS.** The legislature finds that

10 (1) a vast quantity of gas in Alaska is stranded from commercial development
11 because of the cost associated with providing access to markets for that gas; on the North
12 Slope alone, between the Colville and Canning Rivers, approximately 35 trillion cubic feet of
13 discovered gas resources are stranded in this way;

1 (2) because of the high cost of providing access to markets for North Slope
2 gas, exploration efforts there have historically focused on oil; if the infrastructure needed to
3 provide market access for North Slope gas were economically available, it is possible that new
4 gas exploration efforts would be initiated that could lead to the discovery and development
5 of significantly greater gas resources than have been discovered so far;

6 (3) maintaining production operations, whether for oil, gas, or both, enhances
7 the opportunities for oil and gas exploration and development on the North Slope;

8 (4) large areas of the state, encompassing a number of geologic provinces and
9 basins, do not have oil and gas production and still remain largely unexplored for oil and gas;
10 exploration for gas in some of these areas might be facilitated if infrastructure were
11 economically available to provide access for the gas to markets;

12 (5) it is unlikely that markets will develop within the state that would need
13 more than a relatively small proportion of the volume of stranded gas already discovered on
14 the North Slope; therefore, the primary need for gas infrastructure for at least the next decade
15 will be to provide access to markets outside the state;

16 (6) currently the principal mode anticipated for stranded North Slope gas to
17 access markets outside the state is a gas pipeline to an ice-free Alaska port where the gas
18 would be turned into liquefied natural gas and exported using specially designed marine
19 tankers;

20 (7) the size of the capital expenditure needed to get North Slope gas to market
21 by way of a liquefied natural gas project requires long-term contracts for gas on the order of
22 14,000,000 metric tons a year of liquefied natural gas; to be successful, a North Slope
23 liquefied natural gas project needs to reach this full annual volume in not more than six years
24 from the commencement of commercial operations;

25 (8) for a North Slope liquefied natural gas project to become economically
26 viable and competitive, the estimated costs of constructing such a project must be reduced
27 significantly; reducing the financial risk associated with the project would also improve the
28 project's chances of becoming economically viable and competitive;

29 (9) the state has contracted an extensive financial analysis of the
30 commercialization of North Slope gas; this analysis, performed by a recognized expert in
31 petroleum economics, Dr. Pedro Van Meurs, indicates that changes in the local, state, and

1 federal tax structure may be necessary to make commercialization of North Slope gas
2 resources economically viable;

3 (10) although the state can do little now to reduce expected construction costs,
4 the state can reduce some of the financial risk associated with a North Slope liquefied natural
5 gas project or other stranded gas development projects by specifying with as much certainty
6 as possible the state taxes and royalties that would apply to such a project throughout its life;

7 (11) the state could improve the economics and competitiveness of a stranded
8 gas development project by adjusting the timing of the state's receipt of its share of the
9 economic rent of the project; the present fiscal regime is front-end loaded, which means that
10 the state and local governments take a significant part of their shares of the economic rent of
11 a project early in the life of the project, even before the project starts to generate an income
12 stream; the state and local governments could improve the economics of a stranded gas
13 development project by taking more of their shares of the economic rent of a project later in
14 the life of the project;

15 (12) the state's present fiscal regime, as it would apply to a stranded gas
16 development project, is also regressive to the extent that it is insensitive to changes in the
17 profitability of the project, so that, in times of low profitability, the state and local
18 governments would take an excessive amount of the economic rent of the project, and, in
19 times of high profitability, they would take an inadequate amount of the economic rent of a
20 project; the state and local governments could improve the economics of a stranded gas
21 development project by making the overall fiscal system less regressive and more responsive
22 to the relative profitability of a project;

23 (13) establishing a fiscal regime applicable to a specific stranded gas
24 development project under a long-term contract with the state, where payments would be made
25 in lieu of other taxes, would

26 (A) enable the state to create a fiscal regime that is less front-end
27 loaded and less regressive for a project without rewriting the tax laws for gas already
28 being developed and produced;

29 (B) enable the state to customize the timing and burden of its fiscal
30 regime to fit the economic circumstances of a particular stranded gas development
31 project;

1 (C) reduce the financial risk of the project by reducing uncertainty
2 about the fiscal terms applicable to the project;

3 (14) authorizing the state, through the executive branch, to develop a contract
4 establishing the fiscal regime that would apply to a qualified stranded gas development project
5 if it were built will result in contracts that are an exercise of the legislature's taxing power
6 that is consistent with art. IX, sec. 1, Constitution of the State of Alaska;

7 (15) authorizing the state, through the executive branch, to develop a contract
8 establishing a fiscal regime that reduces the risks and improves the economics of a stranded
9 gas development project will result in contracts that are an exercise of the legislature's power
10 under art. IX, sec. 4, Constitution of the State of Alaska, to create tax exemptions by general
11 law and is consistent with the legislature's responsibility under art. VIII, sec. 2, of the
12 Constitution of the State of Alaska, to provide for the utilization, development, and
13 conservation of all natural resources belonging to the state for the maximum benefit of its
14 people;

15 (16) stranded gas development projects are a matter of statewide interest
16 because they are an important potential source of revenue to the state, job opportunities for
17 the people of the state, and gas for use by communities throughout the state;

18 (17) to the extent permissible under the Constitution of the United States and
19 the Constitution of the State of Alaska, the legislature intends that state residents and
20 businesses share in and not be excluded from the opportunities stemming from the
21 development of the state's gas resources; and

22 (18) good faith efforts by qualified sponsors, qualified sponsor groups, and
23 contractors of qualified sponsors and qualified sponsor groups that enter into a contract with
24 the state developed under this Act to undertake voluntary actions to provide employment
25 opportunities for Alaska residents and opportunities for Alaska businesses are in the long-term
26 interests of the state.

27 * **Sec. 2.** INTENT. (a) The legislature intends that contracts developed under this Act
28 provide stable fiscal terms that encourage the development of stranded gas projects that
29 otherwise might not be developed under the prevailing tax and royalty regime. The legislature
30 further intends that any fiscal term agreed to in a contract developed under this Act in lieu of
31 other taxes will fully and fairly compensate the people of the state for the severance,

1 production, and sale of natural resources belonging to the people of the state, for the negative
 2 effects and the risks that a project may impose on the state, and for the value of the
 3 infrastructure that may be provided by the state to a project, including all the advantages of
 4 civilized society that may be provided by the state to the sponsors of a project.

5 (b) The legislature intends that, in order to provide the stable fiscal terms that will
 6 encourage development of stranded gas projects, any contract developed under this Act will
 7 express whether the state intends to be bound to the full extent allowed by the Constitution
 8 of the State of Alaska; however, the legislature further intends that the terms of a contract
 9 developed under this Act will not be binding on or enforceable against the state or the other
 10 parties to the contract unless the governor is authorized to execute the contract by the
 11 legislature.

12 (c) The legislature intends that a qualified sponsor or qualified sponsor group or a
 13 contractor of a qualified sponsor or qualified sponsor group that enters into a contract
 14 developed under this Act relating to a stranded gas project will, with respect to the project,
 15 voluntarily

16 (1) undertake reasonable measures to hire Alaska residents to perform work
 17 that they are qualified to perform on a competitive basis;

18 (2) assist Alaska residents who are capable of being qualified and who make
 19 a good faith effort to obtain the requisite training required for employment; and

20 (3) use reasonable efforts to contract with qualified Alaska businesses when
 21 their performance is competitive with regard to price, quality, and availability.

22 * **Sec. 3.** AS 43 is amended by adding a new chapter to read:

23 **Chapter 82. Development of Alaska Stranded Gas.**

24 **Article 1. Contracts for Payments in Lieu of Other Taxes.**

25 **Sec. 43.82.010. Purpose.** The purpose of this chapter is to

26 (1) encourage new investment to develop the state's stranded gas
 27 resources by authorizing establishment of fiscal terms related to that new investment
 28 without significantly altering tax and royalty methodologies and rates on existing oil
 29 and gas infrastructure and production;

30 (2) allow the fiscal terms applicable to a qualified sponsor or the
 31 members of a qualified sponsor group, with respect to a qualified project, to be tailored

1 to the particular economic conditions of the project and to establish those fiscal terms
 2 in advance with as much certainty as the Constitution of the State of Alaska allows;
 3 and

4 (3) maximize the benefit to the people of the state of the development
 5 of the state's stranded gas resources.

6 **Sec. 43.82.020. Contracts for payments in lieu of other taxes and for**
 7 **royalty adjustments.** The commissioner may, under this chapter, negotiate terms for
 8 inclusion in a proposed contract with a qualified sponsor or qualified sponsor group
 9 providing for

10 (1) periodic payment in lieu of one or more taxes that otherwise would
 11 be imposed by the state or a municipality on the qualified sponsor or members of the
 12 qualified sponsor group as a consequence of the sponsor's or group's participation in
 13 an approved qualified project under this chapter; and

14 (2) certain adjustments regarding royalty under AS 43.82.220.

15 **Article 2. Qualification and Application Procedures.**

16 **Sec. 43.82.100. Qualified project.** Based on information available to the
 17 commissioner, the commissioner may determine that a proposal for new investment is
 18 a qualified project under this chapter only if the project

19 (1) would produce at least 500,000,000,000 cubic feet of stranded gas
 20 within 20 years from the commencement of commercial operations; and

21 (2) is capable, subject to applicable commercial regulation and technical
 22 and economic considerations, of making gas available to meet the reasonably
 23 foreseeable demand in this state for gas within the economic proximity of the project.

24 **Sec. 43.82.110. Qualified sponsor or qualified sponsor group.** The
 25 commissioner may determine that a person or group is a qualified sponsor or qualified
 26 sponsor group if the person or a member of the group

27 (1) intends to own an equity interest in a qualified project or to commit
 28 gas that it owns to a qualified project; and

29 (2) meets one or more of the following criteria:

30 (A) owns a working interest in at least 10 percent of the
 31 stranded gas proposed to be developed by a qualified project;

1 (B) has the right to purchase at least 10 percent of the stranded
2 gas proposed to be developed by a qualified project;

3 (C) has the right to acquire, control, or market at least 10
4 percent of the stranded gas proposed to be developed by a qualified project;

5 (D) holds the permits that the department determines are
6 essential to construct and operate a qualified project;

7 (E) has a net worth equal to at least 33 percent of the estimated
8 cost of constructing a qualified project;

9 (F) has an unused line of credit equal to at least 25 percent of
10 the estimated cost of constructing a qualified project.

11 **Sec. 43.82.120. Applications.** (a) A qualified sponsor or qualified sponsor
12 group may submit to the department an application for development of a contract
13 under AS 43.82.020 evidencing that the requirements of AS 43.82.100 and 43.82.110
14 are met. The application must be submitted in the manner and form and contain the
15 information required by the department.

16 (b) Along with an application submitted under (a) of this section, an applicant
17 shall submit a proposed project plan for a qualified project that contains the following
18 information based on the information known to the applicant at the time of
19 application:

20 (1) a description of the work accomplished as of the date of the
21 application to further the project;

22 (2) a schedule of proposed development activity leading to the
23 projected commencement of commercial operations of the project;

24 (3) a description of the development activity proposed to be
25 accomplished under the proposed project plan;

26 (4) a description of each lease or property that the applicant believes
27 to contain the stranded gas that would be developed if the project was built;

28 (5) a description of the methods and terms under which the applicant
29 is prepared to make gas available to meet the reasonably foreseeable demand in this
30 state for gas within the economic proximity of the project during the term of the
31 proposed contract, including proposed pipeline transportation and expansion rules if

1 pipeline transportation is a part of the proposed project;

2 (6) a detailed description of options to mitigate the increased demand
3 for public services and other negative effects caused by the project;

4 (7) a detailed description of options for the safe management and
5 operation of the project once it is constructed;

6 (8) other information that the commissioner of revenue, in consultation
7 with the commissioner of natural resources, considers necessary to make a
8 determination that

9 (A) the work accomplished as of the date of application, the
10 schedule of proposed development activity, and the development activity
11 proposed to be accomplished under the proposed project plan reflect a proposal
12 for diligent development on the part of the applicant;

13 (B) the proposed project plan does not materially conflict with
14 the obligations of a lessee to the state under a lease or under a pool, unit, or
15 other agreement with the state; and

16 (C) the proposed project plan describes satisfactory methods and
17 terms for accommodating reasonably foreseeable demand for gas in this state
18 within the economic proximity of the project during the term of the proposed
19 contract.

20 (c) The requirements of (b) of this section do not diminish the obligations of
21 a qualified sponsor or member of a qualified sponsor group to the state or restrict the
22 authority of the commissioner of revenue or the commissioner of natural resources
23 under any other law or agreement relating to a plan of development for a lease, pool,
24 or unit.

25 **Sec. 43.82.130. Qualified project plan.** A proposed project plan submitted
26 under AS 43.82.120 may be approved as a qualified project plan under AS 43.82.140
27 if the proposed project plan

28 (1) reflects a proposal for diligent development of the project on the
29 part of the applicant;

30 (2) does not materially conflict with the obligations of a lessee to the
31 state under a lease or under a pool, unit, or other agreement with the state; and

1 (3) describes satisfactory methods and terms for making gas available
2 to meet the reasonably foreseeable demand in this state for gas within the economic
3 proximity of the project during the term of the proposed contract.

4 **Sec. 43.82.140. Review of applications and determination of qualifications.**

5 (a) The commissioner shall review an application submitted under AS 43.82.120 to
6 determine whether the provisions of AS 43.82.100 concerning a qualified project and
7 AS 43.82.110 concerning a qualified sponsor or qualified sponsor group have been
8 met. The commissioner may approve an application only if those provisions have been
9 met.

10 (b) If the commissioner approves an application under (a) of this section, the
11 commissioner and the commissioner of natural resources shall review the proposed
12 project plan submitted with the application to determine whether the provisions of
13 AS 43.82.130 have been met. The commissioner may approve the proposed project
14 plan as a qualified project plan only if the commissioner of natural resources concurs
15 in the approval.

16 (c) The commissioner shall send to the applicant written notice of and the
17 reasons for the determinations made under (a) and (b) of this section.

18 **Sec. 43.82.150. Actions challenging determinations on applications.** (a)

19 Only an applicant under AS 43.82.120 who is aggrieved by a determination of the
20 commissioner of revenue or the commissioner of natural resources under AS 43.82.140
21 may seek judicial review of the determination.

22 (b) The only grounds for judicial review of a determination made under
23 AS 43.82.140 are

24 (1) failure to follow the qualification and application procedures set out
25 in AS 43.82.100 - 43.82.180; or

26 (2) abuse of discretion that is so capricious, arbitrary, or confiscatory
27 as to constitute a denial of due process.

28 **Sec. 43.82.160. Multiple applications for similar or competing qualified**
29 **projects.** Nothing in this chapter prohibits different qualified sponsors or different
30 qualified sponsor groups from submitting applications under AS 43.82.120 relating to
31 similar or competing qualified projects or prohibits the commissioner of revenue or the

1 commissioner of natural resources from reviewing and approving applications and
 2 proposed project plans under AS 43.82.140 relating to similar or competing qualified
 3 projects.

4 **Sec. 43.82.170. Application deadline.** The commissioner of revenue or the
 5 commissioner of natural resources may not act on an application for a contract
 6 submitted under AS 43.82.120 unless the application is received by the Department of
 7 Revenue no later than June 30, 2001.

8 **Sec. 43.82.180. Withdrawal of applications.** Subject to the terms of a
 9 reimbursement agreement under AS 43.82.240 or other agreement with the Department
 10 of Revenue, the Department of Natural Resources, the commissioner of revenue, or the
 11 commissioner of natural resources affecting the withdrawal of an application, a
 12 qualified sponsor or qualified sponsor group may withdraw an application submitted
 13 under AS 43.82.120 at any time before the date that the commissioner of revenue
 14 submits a contract to the governor under AS 43.82.430 without further obligation under
 15 this chapter.

16 **Article 3. Contract Development.**

17 **Sec. 43.82.200. Contract development.** If the commissioner approves an
 18 application and proposed project plan under AS 43.82.140, the commissioner may
 19 develop a contract that may include

20 (1) terms concerning periodic payment in lieu of one or more taxes as
 21 provided in AS 43.82.210;

22 (2) terms developed under AS 43.82.220 relating to

23 (A) timing and notice of the state's right to take royalty in kind
 24 or in value; and

25 (B) royalty value;

26 (3) terms regarding the hiring of Alaska residents and contracting with
 27 Alaska businesses under AS 43.82.230;

28 (4) terms regarding periodic payment to, or an equity or other interest
 29 in a project for, municipalities under AS 43.82.500;

30 (5) terms regarding arbitration or alternative dispute resolution
 31 procedures;

1 (6) terms and conditions for administrative termination of a contract
2 under AS 43.82.445; and

3 (7) other terms or conditions that are

4 (A) necessary to further the purposes of this chapter; or

5 (B) in the best interests of the state.

6 **Sec. 43.82.210. Contract terms relating to payment in lieu of one or more**
7 **taxes.** (a) If the commissioner approves an application and proposed project plan
8 under AS 43.82.140, the commissioner may develop proposed terms for inclusion in
9 a contract under AS 43.82.020 for periodic payment in lieu of one or more of the
10 following taxes that otherwise would be imposed by the state or a municipality on the
11 qualified sponsor or member of a qualified sponsor group as a consequence of
12 participating in an approved qualified project:

13 (1) oil and gas production taxes and oil surcharges under AS 43.55;

14 (2) oil and gas exploration, production, and pipeline transportation
15 property taxes under AS 43.56;

16 (3) oil and gas conservation tax under AS 43.57;

17 (4) Alaska net income tax under AS 43.20;

18 (5) municipal sales and use tax under AS 29.45.650 - 29.45.710;

19 (6) municipal property tax under AS 29.45.010 - 29.45.250 or
20 29.45.550 - 29.45.600;

21 (7) municipal special assessments under AS 29.46;

22 (8) a comparable tax or levy imposed by the state or a municipality
23 after the effective date of this section;

24 (9) other state or municipal taxes or categories of taxes identified by
25 the commissioner.

26 (b) If the commissioner chooses to develop proposed terms under (a) of this
27 section, the commissioner shall, if practicable and consistent with the long-term fiscal
28 interests of the state, develop the terms in a manner that attempts to balance the
29 following principles:

30 (1) the terms should, in conjunction with other factors such as cost
31 reduction of the project, cost overrun risk reduction of the project, increased fiscal

1 certainty, and successful marketing, improve the competitiveness of the approved
2 qualified project in relation to other development efforts aimed at supplying the same
3 market;

4 (2) the terms should accommodate the interests of the state, affected
5 municipalities, and the project sponsors under a wide range of economic conditions,
6 potential project structures, and marketing arrangements;

7 (3) the state's and affected municipalities' combined share of the
8 economic rent of the approved qualified project under the contract should be relatively
9 progressive; that is, the state's and affected municipalities' combined annual share of
10 the economic rent of the approved qualified project generally should not increase when
11 there are decreases in project profitability, or decrease when there are increases in
12 project profitability;

13 (4) the state's and affected municipalities' combined share of the
14 economic rent of the approved qualified project under the contract should be relatively
15 lower in the earlier years than in the later years of the approved qualified project;

16 (5) the terms should allow the project sponsors to retain a share of the
17 economic rent of the approved qualified project that is sufficient to compensate the
18 sponsors for risks under a range of economic circumstances;

19 (6) the terms should provide the state and affected municipalities with
20 a significant share of the economic rent of the approved qualified project, when
21 discounted to present value, under favorable price and cost conditions;

22 (7) the method for calculating the periodic payment in lieu of certain
23 taxes under the contract should be clear and unambiguous; and

24 (8) while cost calculations for the approved qualified project under the
25 contract should be based on amounts that closely approximate actual costs, agreed-
26 upon formulas reflecting reasonable economic assumptions should be used if possible
27 to promote administrative certainty and efficiency.

28 (c) Except as provided in (b) of this section, the commissioner's discretion
29 under this section in developing proposed terms for a contract under AS 43.82.020 is
30 not limited to consideration of the economic rent of the approved qualified project.

31 **Sec. 43.82.220. Contract terms relating to royalty.** (a) Notwithstanding any

1 contrary provisions of AS 38, the commissioner of natural resources, with the
2 concurrence of the commissioner of revenue and the affected parties holding a state
3 lease or unit agreement, may develop proposed terms for inclusion in a contract under
4 AS 43.82.020 that modify the timing and notice provisions of the applicable oil and
5 gas leases and unit agreements pertaining to the state's rights to receive its royalty on
6 gas in kind or in value if

7 (1) the viability of the approved qualified project depends on long-term
8 gas purchase and sale agreements;

9 (2) certainty over time regarding the quantity of royalty gas that the
10 state may be taking in kind is needed to secure the long-term purchase and sale
11 agreements;

12 (3) the specified period of the state's commitment to take its royalty
13 share in value or in kind does not exceed the term of the purchase and sale
14 agreements; and

15 (4) the modification does not impair the ability of the approved
16 qualified project or the state to meet the reasonably foreseeable demand in this state
17 for gas within economic proximity of the project during the term of the contract
18 developed under AS 43.82.020.

19 (b) Notwithstanding any contrary provisions of AS 38, the commissioner of
20 natural resources, with the concurrence of the commissioner of revenue and the
21 affected parties holding a state lease or unit agreement, may develop proposed terms
22 for inclusion in a contract under AS 43.82.020 that establish a valuation method for
23 the state's royalty share of the gas production from an approved qualified project.

24 (c) The commissioner of revenue shall include any proposed terms relating to
25 royalty developed in accordance with this section in the proposed contract under
26 AS 43.82.400.

27 (d) Nothing in this chapter permits modification of the state's rights that relate
28 to timing, notice, and rights to receive oil royalty in kind or in value under oil and gas
29 leases or unit agreements.

30 **Sec. 43.82.230. Contract terms relating to hiring of Alaska residents and**
31 **contracting with Alaska businesses.** (a) The commissioner shall include in a

1 contract under AS 43.82.020 a term requiring the qualified sponsor or qualified
2 sponsor group and contractors of the qualified sponsor or qualified sponsor group to
3 comply with all valid federal, state, and municipal laws relating to hiring Alaska
4 residents and contracting with Alaska businesses to work in the state on the approved
5 qualified project and not to discriminate against Alaska residents or Alaska businesses.
6 Within the constraints of law, the commissioner shall also include in a contract under
7 AS 43.82.020 a term that requires the qualified sponsor or qualified sponsor group and
8 contractors of the qualified sponsor or qualified sponsor group to employ Alaska
9 residents and to contract with Alaska businesses to work in the state on the approved
10 qualified project to the extent the residents and businesses are available, competitively
11 priced, and qualified.

12 (b) The commissioner shall include in a contract under AS 43.82.020 a term
13 requiring the qualified sponsor or qualified sponsor group and contractors of the
14 qualified sponsor or qualified sponsor group to

15 (1) advertise for available positions in newspapers in the location where
16 the work is to be performed and in other publications distributed throughout the state,
17 including in rural areas; and

18 (2) use Alaska job service organizations located throughout the state
19 and not just in the location where the work is to be performed in order to notify
20 Alaskans of work opportunities on the approved qualified project.

21 (c) Subject to the voluntary agreement of the qualified sponsor, the
22 commissioner may include a term in the contract providing for incentives to encourage
23 training and hiring of Alaska residents.

24 (d) This section does not create or abridge individual rights and does not create
25 a private right of action for any person.

26 (e) For purposes of this section,

27 (1) "Alaska business" means a firm or contractor that

28 (A) has held an Alaska business license for the preceding 12
29 months;

30 (B) maintains, and has maintained for the preceding 12 months,
31 a place of business in the state that competently and professionally deals in

1 supplies, services, or construction of the nature required for the approved
2 qualified project; and

3 (C) is

4 (i) a sole proprietorship and the proprietor is an Alaska
5 resident;

6 (ii) a partnership and more than 50 percent of the
7 partnership interest is held by Alaska residents;

8 (iii) a limited liability company and more than 50
9 percent of the membership interest is held by Alaska residents;

10 (iv) a corporation that has been incorporated in the state
11 or is authorized to do business in the state; or

12 (v) a joint venture and a majority of the venturers
13 qualify as Alaska businesses under this paragraph;

14 (2) "Alaska job service organizations" means those offices maintained
15 by the state and recommended by the Department of Labor whose functions are to aid
16 the unemployed or underemployed in finding employment;

17 (3) "Alaska resident" means a natural person who

18 (A) receives a permanent fund dividend under AS 43.23; or

19 (B) has a current Alaska

20 (i) voter registration card; and

21 (ii) resident fishing, hunting, or trapping license under
22 AS 16;

23 (4) "available," as applied to an Alaska resident or Alaska business,
24 means that the resident or business is available for employment at the time required
25 and is located anywhere in the state, not just in the area of the state where the work
26 is to be performed;

27 (5) "qualified," as applied to an Alaska resident or Alaska business,
28 means that the resident or business possesses the requisite education, training, skills,
29 certification, or experience to perform the work necessary for a particular position or
30 to perform a particular service.

31 **Sec. 43.82.240. Use of an independent contractor.** (a) The commissioner

1 may use an independent contractor to assist in the evaluation of an application or in
2 the development of contract terms under AS 43.82.200. The commissioner may
3 condition the development of a contract under AS 43.82.020 on an agreement by the
4 applicant to reimburse the state for the expenses of an independent contractor under
5 this section.

6 (b) An independent contractor selected under this section must sign an
7 agreement regarding confidentiality and disclosures consistent with the determinations
8 made under AS 43.82.310 before the contractor may review information that is
9 determined confidential under AS 43.82.310.

10 (c) Selection of an independent contractor under this section is not subject to
11 AS 36.30 (State Procurement Code).

12 **Sec. 43.82.250. Term of contract; effective date.** The term of a contract
13 developed under AS 43.82.020 may be for no longer than is necessary to develop the
14 stranded gas that is subject to the contract; however, the term of the contract may not
15 exceed 35 years from the commencement of commercial operations of the approved
16 qualified project.

17 **Sec. 43.82.260. Change of parties to an application or a contract;
18 assignment of interests.** (a) A qualified sponsor or member of a qualified sponsor
19 group may assign an interest in or add or withdraw a party to an application under
20 AS 43.82.120 only if the commissioner has

21 (1) made a finding that the assignment, addition, or withdrawal is
22 consistent with the requirements of AS 43.82.110; and

23 (2) given prior written approval for the assignment, addition, or
24 withdrawal.

25 (b) A contract developed under this chapter may provide for the assignment
26 to or withdrawal of a qualified sponsor or member of a qualified sponsor group.

27 (c) Upon being added to an application under this section, a party becomes a
28 qualified sponsor or a member of a qualified sponsor group, as appropriate, for the
29 relevant project.

30 (d) The commissioner may not unreasonably withhold approval under (a) of
31 this section, but may condition the approval in any way reasonably necessary to protect

1 the fiscal interests of the state and to further the purposes of this chapter.

2 (e) For purposes of this section, an assignment includes a transfer of stock or
3 a partnership interest in a manner that changes control of a qualified sponsor or
4 member of a qualified sponsor group.

5 **Sec. 43.82.270. Project plans and work commitments.** A contract under
6 AS 43.82.020 must include the qualified project plan approved under AS 43.82.140
7 and provisions for updating the plan at reasonable intervals until the commencement
8 of commercial operations of the approved qualified project. The commissioner of
9 revenue, in consultation with the commissioner of natural resources, may, as a term
10 in a contract under AS 43.82.020, include work commitments or other obligations in
11 the contract to be accomplished before the commencement of commercial operations
12 of the approved qualified project.

13 **Article 4. Requests for Information; Confidentiality;**
14 **Disclosure of Information.**

15 **Sec. 43.82.300. Requests for information.** The commissioner of revenue or
16 the commissioner of natural resources may request from an applicant information that
17 the respective commissioner determines is necessary to perform the respective
18 commissioner's responsibilities under AS 43.82.140. If the application is approved
19 under AS 43.82.140, the respective commissioner shall require the successful applicant
20 to provide financial, technical, and market information regarding the qualified project
21 that the respective commissioner determines is necessary for the purpose of developing
22 contract terms for the qualified project under AS 43.82.200. If requested information
23 is not provided, the commissioner of revenue may not continue to review the
24 application under AS 43.82.140 or develop the contract under AS 43.82.200 -
25 43.82.270, as applicable.

26 **Sec. 43.82.310. Disclosure of information; confidentiality.** (a) An applicant
27 may request confidential treatment of information that the applicant provides under
28 AS 43.82.300 by clearly identifying the information and the reasons supporting the
29 request for confidential treatment. The commissioner of revenue or the commissioner
30 of natural resources, as appropriate, shall keep the information confidential until the
31 commissioner determines whether the requirements of (b) of this section are met. If

1 the commissioner of revenue or the commissioner of natural resources has not made
2 a determination under (b) of this section within 14 days after receiving a request for
3 confidential treatment, the request is considered denied. If the appropriate
4 commissioner determines that the information does not meet the requirements of (b)
5 of this section or if the commissioner fails to make a determination within 14 days, the
6 commissioner shall return the information and any copies of it at the request of the
7 applicant. If the commissioner of revenue or the commissioner of natural resources,
8 as appropriate, returns information under this subsection, the commissioner shall cease
9 review of the application or cease contract development under AS 43.82.200 -
10 43.82.270, as appropriate, unless the commissioner determines that the returned
11 information is unnecessary to make a determination on the application or to develop
12 contract terms under AS 43.82.200 - 43.82.270.

13 (b) If requested by the applicant, information provided to the commissioner of
14 revenue or the commissioner of natural resources under AS 43.82.300 shall be kept
15 confidential if the commissioner receiving the information determines, upon an
16 adequate showing by the applicant, that the information

17 (1) is a trade secret or other proprietary research, development, or
18 commercial information that the applicant treats as confidential;

19 (2) affects the applicant's competitive position; and

20 (3) has commercial value that may be significantly diminished by
21 public disclosure or that public disclosure is not in the long-term fiscal interests of the
22 state.

23 (c) Information determined to be confidential under (b) of this section is
24 confidential under that subsection only so long as is necessary to protect the
25 competitive position of the applicant, to prevent the significant diminution of the
26 commercial value of the information, or to protect the long-term fiscal interests of the
27 state. The commissioner of revenue or the commissioner of natural resources, as
28 appropriate, may not release information that the commissioner has previously
29 determined to be confidential under (b) of this section without providing the applicant
30 notice and an opportunity to be heard.

31 (d) Notwithstanding the limitation in (c) of this section, the Department of

1 Revenue and the Department of Natural Resources may provide to one another, to the
2 Department of Law, to the legislature, and to the Office of the Governor any
3 information provided under AS 43.82.300 relevant to the implementation of this
4 chapter or to the enforcement of state or federal laws. Information that is exchanged
5 under this subsection that was determined to be confidential under (b) of this section
6 remains confidential except as provided in (c) of this section. The portions of the
7 records and files of the Department of Revenue, the Department of Natural Resources,
8 the Department of Law, the legislature, and the Office of the Governor that reflect,
9 incorporate, or analyze information that is determined to be confidential under (b) of
10 this section are not public records except as provided in (c) of this section.

11 (e) Notwithstanding the limitation in (c) of this section, information that is
12 determined to be confidential under (b) of this section shall be disclosed on request by
13 the commissioner of revenue, the commissioner of natural resources, or the attorney
14 general to a legislator; to the legislative auditor; and, as directed by the chair or vice-
15 chair of the Legislative Budget and Audit Committee, to the director of legislative
16 finance, to the permanent employees of those divisions who are responsible for
17 evaluating a contract under AS 43.82.020, and to agents or contractors of the
18 legislative auditor or the director of legislative finance who are engaged to evaluate
19 a contract under AS 43.82.020. Information that is determined to be confidential under
20 (b) of this section may also be disclosed by the commissioner of revenue or the
21 commissioner of natural resources to an independent contractor under AS 43.82.240
22 or to a municipal advisory group established under AS 43.82.510. Before confidential
23 information is disclosed under this subsection, the person receiving the information
24 must sign an appropriate confidentiality agreement.

25 (f) If the commissioner of revenue chooses to develop a contract under
26 AS 43.82.020, the portions of the records and files of the Department of Revenue, the
27 Department of Natural Resources, the Department of Law, and a municipal advisory
28 group established under AS 43.82.510 that reflect, incorporate, or analyze information
29 that is relevant to the development of the position or strategy of the commissioner of
30 revenue, the commissioner of natural resources, or the attorney general with respect
31 to a particular provision that may be incorporated into the contract are not public

1 records until the commissioner of revenue gives public notice under AS 43.82.410 of
 2 the commissioner's preliminary findings and determination under AS 43.82.400.
 3 Nothing in this subsection

4 (1) makes a record or file of the Department of Revenue, the
 5 Department of Natural Resources, or the Department of Law a public record that
 6 otherwise would not be a public record under AS 09.25.100 - 09.25.220;

7 (2) affects the confidentiality provisions of (a) - (e) of this section; or

8 (3) abridges a privilege recognized under the laws of this state, whether
 9 at common law or by statute or by court rule.

10 **Article 5. Contract Review, Approval, and Termination.**

11 **Sec. 43.82.400. Preliminary findings and determination regarding the**
 12 **contract.** (a) If the commissioner develops a proposed contract under AS 43.82.200 -
 13 43.82.270, the commissioner shall

14 (1) make preliminary findings and a determination that the proposed
 15 contract terms are in the long-term fiscal interests of the state and further the purposes
 16 of this chapter; and

17 (2) prepare a proposed contract that includes those terms and shall
 18 submit the contract to the governor.

19 (b) To make the preliminary findings and determination required by (a)(1) of
 20 this section, the commissioner shall compare the projected public revenue anticipated
 21 from the approved qualified project with the estimated operating and capital costs of
 22 the additional state and municipal services anticipated to arise from the construction
 23 and operation of the approved qualified project. The commissioner shall address the
 24 reasonably foreseeable effects of the proposed contract on the public revenue.

25 (c) In conjunction with the making of preliminary findings and determination
 26 required by (a)(1) of this section, the commissioner shall describe the principal factors,
 27 including the projected price of gas, projected production rate or volume of gas, and
 28 projected recovery, development, construction, and operating costs, upon which the
 29 determination made under (a)(1) of this section is based. If the commissioner has
 30 previously submitted a proposed contract to the governor, the commissioner shall
 31 describe any material differences between the terms of the currently proposed contract

1 and the previously proposed contract.

2 **Sec. 43.82.410. Notice and comment regarding the contract.** The
3 commissioner shall

4 (1) give reasonable public notice of the preliminary findings and
5 determination made under AS 43.82.400;

6 (2) make copies of the proposed contract, the commissioner's
7 preliminary findings and determination, and, to the extent the information is not
8 required to be kept confidential under AS 43.82.310, the supporting financial,
9 technical, and market data, including the work papers, analyses, and recommendations
10 of any independent contractors used under AS 43.82.240 available to the public and
11 to

12 (A) the presiding officer of each house of the legislature;

13 (B) the chairs of the finance and resources committees of the
14 legislature; and

15 (C) the chairs of the special committees on oil and gas, if any,
16 of the legislature;

17 (3) offer to appear before the Legislative Budget and Audit Committee
18 to provide the committee a review of the commissioner's preliminary findings and
19 determination, the proposed contract, and the supporting financial, technical, and
20 market data; if the Legislative Budget and Audit Committee accepts the commissioner's
21 offer, the committee shall give notice of the committee's meeting to the public and all
22 members of the legislature; if the financial, technical, and market data that is to be
23 provided must be kept confidential under AS 43.82.310, the commissioner may not
24 release the confidential information during a public portion of a committee meeting;
25 and

26 (4) establish a period of at least 30 days for the public and members
27 of the legislature to comment on the proposed contract and the preliminary findings
28 and determination made under AS 43.82.400.

29 **Sec. 43.82.420. Coordination of public and legislative review.** To the extent
30 practicable, the commissioner shall coordinate the public comment opportunity
31 provided under AS 43.82.410(4) with a review by the Legislative Budget and Audit

1 Committee under AS 43.82.410(3).

2 **Sec. 43.82.430. Final findings, determination, and proposed amendments;**
3 **execution of the contract.** (a) Within 30 days after the close of the public comment
4 period under AS 43.82.410(4), the commissioner of revenue shall

5 (1) prepare a summary of the public comments received in response to
6 the proposed contract and the preliminary findings and determination;

7 (2) after consultation with the commissioner of natural resources, if
8 appropriate, and with the pertinent municipal advisory group established under
9 AS 43.82.510, prepare a list of proposed amendments, if any, to the proposed contract
10 that the commissioner of revenue determines are necessary to respond to public
11 comments;

12 (3) make final findings and a determination as to whether the proposed
13 contract and any proposed amendments prepared under (2) of this subsection meet the
14 requirements and purposes of this chapter.

15 (b) After considering the material described in (a) of this section and securing
16 the agreement of the other parties to the proposed contract regarding any proposed
17 amendments prepared under (a) of this section, if the commissioner determines that the
18 contract is in the long-term fiscal interests of the state, the commissioner shall submit
19 the contract to the governor.

20 (c) The commissioner's final findings and determination under (a) of this
21 section are final agency decisions under this chapter.

22 **Sec. 43.82.435. Legislative authorization.** The governor may transmit a
23 contract developed under this chapter to the legislature together with a request for
24 authorization to execute the contract. A contract developed under this chapter is not
25 binding upon or enforceable against the state or other parties to the contract unless the
26 governor is authorized to execute the contract by law. The state and the other parties
27 to the contract may execute the contract within 60 days after the effective date of the
28 law authorizing the contract.

29 **Sec. 43.82.440. Judicial review.** A person may not bring an action
30 challenging the constitutionality of a law authorizing a contract enacted under
31 AS 43.82.435 or the enforceability of a contract executed under a law authorizing a

1 contract enacted under AS 43.82.435 unless the action is commenced within 120 days
 2 after the date that the contract was executed by the state and the other parties to the
 3 contract.

4 **Sec. 43.82.445. Administrative termination of a contract.** (a) The
 5 commissioner shall include terms in a contract developed under AS 43.82.020 that
 6 provide for administrative termination of a party's rights under the procedures and
 7 conditions set out in this section if the party has

8 (1) ceased to meet the requirements of AS 43.82.110 as a qualified
 9 sponsor or qualified sponsor group;

10 (2) intentionally or fraudulently misrepresented, in whole or in part,
 11 material facts or circumstances upon which the contract was made;

12 (3) failed to comply with a condition or material term of the contract
 13 or a provision of this chapter; or

14 (4) failed to comply with the approved qualified project plan or any
 15 updated project plan.

16 (b) Before administrative termination of a contract under this section, the
 17 commissioner shall give notice to the parties of the commissioner's intent to terminate
 18 the contract and an opportunity to be heard. The commissioner may also provide the
 19 parties an opportunity to cure any deficiency that is the basis for the termination if the
 20 commissioner determines that curing the deficiency is appropriate under the
 21 circumstances.

22 (c) Notwithstanding (a) and (b) of this section, the commissioner may not
 23 administratively terminate a contract after the party has committed full project funding
 24 except as provided in (e) of this section.

25 (d) A party to a contract who is affected by the commissioner's action to
 26 terminate under (a) of this section may file an appeal with the superior court under the
 27 Alaska Rules of Appellate Procedure.

28 (e) The commissioner may provide terms and conditions in a contract
 29 developed under AS 43.82.020 upon which a party's rights under the contract may be
 30 administratively terminated after the party commits full project funding.

31 **Article 6. Municipal Participation.**

1 **Sec. 43.82.500. Obligation to share payments with municipalities.** If the
2 commissioner develops a contract under AS 43.82.020 that includes terms that exempt
3 a party to the contract, and the property, gas, products, and activities associated with
4 the approved qualified project that is subject to the contract, from a municipal tax or
5 assessment in accordance with AS 29.45.810 or AS 29.46.010(b), or AS 43.82.200 and
6 43.82.210, the commissioner shall include a term in the contract that the party pay a
7 portion of the periodic payments due under the contract to the revenue-affected
8 municipality.

9 **Sec. 43.82.505. Payments to economically affected municipalities.** If the
10 commissioner executes a contract under AS 43.82.020 that will produce one or more
11 economically affected municipalities, the commissioner shall include a term in the
12 contract that provides for a portion of the periodic payments to the economically
13 affected municipalities under the principles in AS 43.82.520.

14 **Sec. 43.82.510. Municipal advisory group.** (a) If the commissioner approves
15 an application and proposed project plan under AS 43.82.140 and decides to develop
16 a contract under AS 43.82.020 and 43.82.200, the commissioner shall notify each
17 revenue-affected municipality and economically affected municipality.

18 (b) The mayor of a municipality notified by the commissioner under (a) of this
19 section may appoint one representative to a municipal advisory group in relation to the
20 application.

21 (c) Each municipal advisory group serves until a final action is taken on the
22 application for which the group was appointed.

23 (d) Each municipal advisory group shall elect a chair.

24 **Sec. 43.82.520. Duties of the commissioner of revenue in relation to**
25 **municipal participation.** (a) The commissioner shall meet with each municipal
26 advisory group periodically to report on the development of the contract provisions that
27 affect the municipalities.

28 (b) In developing a contract under AS 43.82.200 - 43.82.270, the commissioner
29 shall ensure that each revenue-affected municipality and economically affected
30 municipality receives a fair and reasonable share of the payments provided under
31 AS 43.82.210 in accordance with the following principles:

1 (1) the share of the payments to revenue-affected municipalities should
 2 be given priority over payments to economically affected municipalities with due
 3 regard to the anticipated size of the tax base that the contract would exempt from
 4 municipal taxation by revenue-affected municipalities;

5 (2) the share of the payments to municipalities should be determined
 6 with due regard to the anticipated economic and social burdens that would be imposed
 7 on the municipality by construction and operation of the project;

8 (3) the respective shares of the total payments to the state and to
 9 municipalities should be fixed in a manner to ensure that their respective interests are
 10 aligned;

11 (4) to the extent practicable, the periodic amounts paid to each of the
 12 municipalities should be stable and predictable; and

13 (5) to the extent practicable, the provisions for sharing payments with
 14 municipalities should be consistent with the principles established in AS 43.82.210(b).

15 (c) In establishing the municipal shares under (b) of this section, the
 16 commissioner shall consult with the pertinent municipal advisory group.

17 **Article 7. Miscellaneous Provisions.**

18 **Sec. 43.82.600. Governing law.** If a provision of this chapter conflicts with
 19 another provision of state or municipal law, the provision of this chapter governs.

20 **Sec. 43.82.610. Regulations.** The commissioner of revenue, the commissioner
 21 of natural resources, and the commissioner of labor may adopt regulations to carry out
 22 their respective duties under this chapter.

23 **Sec. 43.82.620. Procedures for collection of amounts due; security.** (a)
 24 The commissioner may adopt procedures for the collection of amounts due the state
 25 under a contract developed under AS 43.82.020, including the collection of interest and
 26 penalties.

27 (b) The commissioner may require a party to a contract developed under
 28 AS 43.82.020 to provide security sufficient to guarantee amounts due under the
 29 contract.

30 **Sec. 43.82.630. Reports and audits.** The commissioner may require periodic
 31 reports from and may at reasonable intervals conduct audits and inspect the books of

1 a party that has entered into a contract developed under AS 43.82.020 to ensure
 2 compliance with the provisions of this chapter and the regulations adopted under this
 3 chapter and of the terms of the contract.

4 **Sec. 43.82.640. Annual report of the commissioner of labor.** On an annual
 5 basis, the commissioner of labor shall prepare and present to the legislature a
 6 comprehensive report on each party to a contract with the state developed under
 7 AS 43.82.020, and its contractors, regarding the state residency of the employees
 8 working in this state on the approved qualified project that is subject to the contract.
 9 The commissioner of labor shall use state databases, including data from the quarterly
 10 reports by a party to the contract developed under AS 43.82.020 and its contractors for
 11 unemployment insurance purposes, to determine state residency of employees regarding
 12 compliance with AS 43.82.230.

13 **Article 8. General Provisions.**

14 **Sec. 43.82.900. Definitions.** In this chapter, unless the context requires
 15 otherwise,

16 (1) "affected municipality" means an economically affected
 17 municipality or a revenue-affected municipality;

18 (2) "commencement of commercial operations" means the start of
 19 regular deliveries of marketable products from an approved qualified project;

20 (3) "cubic foot of gas" means the quantity of gas contained in a volume
 21 of one cubic foot at a standard temperature of 60 degrees Fahrenheit and a standard
 22 absolute pressure of 14.65 pounds per square inch;

23 (4) "economically affected municipality" means a municipality the
 24 commissioner of revenue determines will be reasonably required to provide additional
 25 public services under the terms proposed in an application approved under
 26 AS 43.82.140(a); the commissioner may consider historical data from construction of
 27 the Trans Alaska Pipeline System, and information submitted by a municipality in
 28 making the determination;

29 (5) "economic proximity" means the distance within which a person
 30 may be willing to design, construct, and operate a gas line to provide service to a local
 31 consumer;

1 (6) "economic rent" means the estimated total gross revenue less
 2 estimated total costs for a qualified project over the term of a contract under
 3 AS 43.82.020, measured in undiscounted nominal dollars; for purposes of this
 4 paragraph, total costs do not include a rate of return on capital, financing costs, or any
 5 payments to governments;

6 (7) "full project funding" means full approval by a party to a contract
 7 under AS 43.82.020 for the expenditure of the capital necessary for construction and
 8 operation of the approved qualified project that is subject to the contract;

9 (8) "gas" has the meaning given in AS 43.55.900;

10 (9) "group" means two or more persons;

11 (10) "lease or property" has the meaning given in AS 43.55.900;

12 (11) "periodic payment" means payment made in lieu of one or more
 13 other taxes under a contract under AS 43.82.020;

14 (12) "revenue-affected municipality" means a municipality that the
 15 commissioner of revenue reliably expects will be restricted from imposing a tax, or a
 16 portion of a tax, as a result of implementation of a contract developed under this
 17 chapter;

18 (13) "stranded gas" means gas that is not being marketed due to
 19 prevailing costs or price conditions as determined by an economic analysis by the
 20 commissioner for a particular project.

21 **Sec. 43.82.990. Short title.** This chapter may be cited as the Alaska Stranded
 22 Gas Development Act.

23 * **Sec. 4.** AS 29.10.200 is amended by adding new paragraphs to read:

24 (54) AS 29.45.810 (exemption from municipal taxation);

25 (55) AS 29.46.010(b) (exemption from municipal assessment).

26 * **Sec. 5.** AS 29.45 is amended by adding a new section to read:

27 **Sec. 29.45.810. Exemption from municipal taxation.** (a) A party to a
 28 contract approved by the legislature as a result of submission of a proposed contract
 29 developed under AS 43.82, and the property, gas, products, and activities associated
 30 with the approved qualified project that is subject to the contract, are exempt, as
 31 specified in the contract, from all taxes identified in the contract that would be levied

1 and collected by a municipality under state law as a consequence of the participation
2 by the party in the approved qualified project.

3 (b) This section applies to home rule and general law municipalities.

4 * **Sec. 6.** AS 29.46.010 is amended by adding a new subsection to read:

5 (b) Notwithstanding (a) of this section, a party to a contract approved by the
6 legislature as a result of submission of a proposed contract developed under AS 43.82
7 is exempt, as specified in the contract, from assessment under this chapter against real
8 property associated with the approved qualified project that is subject to the contract.

9 * **Sec. 7.** AS 36.30.850(b) is amended by adding a new paragraph to read:

10 (38) contracts between the commissioner of revenue and an independent
11 contractor under AS 43.82.240.

12 * **Sec. 8.** AS 43.20.072 is amended by adding a new subsection to read:

13 (h) A taxpayer that has signed a contract approved by the legislature as a result
14 of submission of a proposed contract developed under AS 43.82 providing for
15 payments in lieu of the tax under this chapter and that has nexus with the state solely
16 as the result of the taxpayer's participation in the approved qualified project that is
17 subject to the contract or would not, but for such participation, be engaged in the
18 production of oil or gas from a lease or property in this state or engaged in the
19 transportation of oil or gas by pipeline in this state, is not required to file a return
20 under this section unless required to do so by the contract.

21 * **Sec. 9.** AS 43.20.073 is amended by adding a new subsection to read:

22 (h) A corporation that has signed a contract approved by the legislature as a
23 result of submission of a proposed contract developed under AS 43.82 providing for
24 payments in lieu of the tax under this chapter and that has nexus with the state solely
25 as the result of the corporation's participation in the approved qualified project that is
26 subject to the contract is not required to file a return under this section unless required
27 to do so by the contract.

28 * **Sec. 10.** SEVERABILITY. Under AS 01.10.030, if any provision of this Act, or the
29 application of a provision of this Act to any person or circumstance, is held invalid, the
30 remainder of this Act and the application to other persons or circumstances is not affected.

31 * **Sec. 11.** This Act takes effect immediately under AS 01.10.070(c).