

**CS FOR HOUSE BILL NO. 519(RLS)**

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-SECOND LEGISLATURE - SECOND SESSION

BY THE HOUSE RULES COMMITTEE

Offered: 5/6/02  
Referred: Rules

Sponsor(s): HOUSE RULES COMMITTEE

**A BILL**

**FOR AN ACT ENTITLED**

1 "An Act authorizing priority treatment under the Right-of-Way Leasing Act for an  
2 Alaska North Slope natural gas project and limiting judicial review of action under that  
3 Act relating to that project; authorizing the Alaska Railroad Corporation to provide  
4 financing for the acquisition, construction, improvement, maintenance, equipping, or  
5 operation of facilities for the transportation by others of natural gas resources within  
6 and outside the state and to issue its bonds to finance those facilities; exempting an  
7 Alaska North Slope natural gas project from state and municipal property taxes during  
8 construction and initial operation, eliminating the authority of a municipality to levy a  
9 sales or use tax on property or services used or to be used on the project, and defining  
10 the scope of that project; providing, through the Department of Community and  
11 Economic Development, emergency financial assistance for municipalities affected by  
12 natural gas development; expanding the scope for the kinds of gas development projects

1 **that may become qualified projects under the Alaska Stranded Gas Development Act,**  
2 **amending the definitions of 'qualified sponsor' and 'qualified sponsor group' under that**  
3 **Act, extending the deadline for submitting applications under that Act, and modifying**  
4 **the conditions under which an application made under that Act may be considered; and**  
5 **providing for an effective date."**

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

7 \* **Section 1.** The uncodified law of the State of Alaska is amended by adding a new section  
8 to read:

9 FINDINGS AND INTENT. The legislature finds that

10 (1) a vast quantity of gas in Alaska is currently stranded from commercial  
11 development, in part due to the cost associated with providing access to markets for that gas;  
12 the Alaska North Slope has the largest known discovered natural gas resources, estimated to  
13 be 35 trillion cubic feet, in the United States and has undiscovered gas resources estimated to  
14 be in excess of 100 trillion cubic feet;

15 (2) demand for natural gas in the lower 48 states is expected to experience  
16 record growth; the lower 48 states have an inadequate resource base to meet this expected  
17 demand, and there is an urgency to make an Alaska natural gas pipeline project move forward  
18 to fill this gap with North American gas rather than with gas from uncertain sources overseas;

19 (3) it is important for the United States to have a reliable and affordable source  
20 of domestic natural gas for energy for its economy, for the well-being of its citizens, for the  
21 growth of its businesses, and for the national security;

22 (4) the North Slope of Alaska is one of the few known locations in the United  
23 States that can supply significant natural gas supplies to the lower 48 states for years to come;

24 (5) during the past three decades, several companies and entities have studied  
25 different ways to commercialize Alaska North Slope gas and have been unsuccessful in  
26 identifying an economic project; most recently, the three major producers, through their  
27 Alaska Gas Producers Pipeline Team, have studied a southern route approximately following  
28 a route along the Trans Alaska Pipeline System from Pump Station One to Delta Junction and  
29 along the Alaska Highway through Alaska and Canada to the lower 48 states and a northern

1 route off the shore of the Arctic National Wildlife Refuge in the Beaufort Sea, and have  
2 concluded that neither is sufficiently economic, given the magnitude of the risks associated  
3 with the project; however, at least one producer has indicated a willingness to proceed further  
4 if federal and state enabling legislation with provisions to mitigate long-term natural gas price  
5 risks and for fiscal certainty and incentives is enacted;

6 (6) the major producers have proposed new federal enabling legislation that  
7 they believe will expedite the construction and operation of a natural gas pipeline from the  
8 North Slope to the lower 48 states;

9 (7) in addition to the state's receipt of revenue from taxes and royalties,  
10 Alaskans will benefit from the commercialization of Alaska North Slope natural gas through  
11 opportunities for in-state use of the natural gas and for participation by Alaskans in  
12 construction, maintenance, and operation of a natural gas pipeline project;

13 (8) because of the high cost of providing access to markets for Alaska North  
14 Slope gas, exploration efforts on the North Slope have historically focused on oil; recently,  
15 some companies have expressed interest in gas exploration; if the infrastructure needed to  
16 provide access to market for Alaska North Slope gas were available, new gas exploration  
17 efforts might be initiated on the Alaska North Slope and in other basins that currently remain  
18 largely unexplored for oil and gas; it is vital to the State of Alaska that there be continued and  
19 robust exploration and development of natural gas resources on the Alaska North Slope;

20 (9) Alaskans need a portion of the gas from a natural gas pipeline project for  
21 in-state use; however, it is unlikely that markets will develop within the state that would need  
22 more than a relatively small portion of the volume of gas already discovered on the Alaska  
23 North Slope; it is vital for economic development that Alaska communities and businesses  
24 have access under fair and reasonable terms to the pipeline for in-state use of Alaska North  
25 Slope natural gas;

26 (10) the construction and operation of a natural gas pipeline in the state and  
27 the sale of Alaska North Slope gas is critical to the health and welfare of the state;

28 (11) for a natural gas pipeline project to become economically viable and  
29 competitive, the estimated costs of constructing the project and the associated financial risk  
30 must be reduced significantly; changes in the local, state, and federal tax structure may also be  
31 necessary to make commercialization of the gas resources economically viable by, in part,

1 structuring tax and royalty incentives related to the project and providing as much clarity and  
2 certainty as possible regarding the taxes that would apply to a project throughout its life;

3 (12) art. IX, sec. 4, Constitution of the State of Alaska, empowers the  
4 legislature to create tax exemptions by general law, and the creation of tax exemptions to  
5 make Alaska North Slope gas commercially viable and competitive is consistent with the  
6 legislature's responsibility under art. VIII, sec. 2, Constitution of the State of Alaska;

7 (13) good faith efforts by producers and other companies engaged in the  
8 design, construction, and operation of the natural gas pipeline voluntarily to provide  
9 employment opportunities for Alaska residents and opportunities for Alaska businesses are in  
10 the long-term interests of the state;

11 (14) there has been a history of costly disputes between producers of oil and  
12 the state over the determination of the production taxes due for oil produced and sold, in part  
13 because of disputes over the definition of terms pertinent to the calculation of the tax;

14 (15) it is in the state's best interest to provide clarity and certainty to the  
15 process of determining a producer's tax and royalty liability, AS 43.82 (Alaska Stranded Gas  
16 Development Act) provides, among other provisions, in AS 43.82.020, 43.82.200, and  
17 43.82.210, mechanisms for the state and the sponsor of a North Slope natural gas pipeline  
18 project to negotiate a contract that could provide that clarity and certainty and resolve other  
19 important issues, including accommodating the interests of affected municipalities.

20 \* **Sec. 2.** The uncodified law of the State of Alaska is amended by adding a new section to  
21 read:

22 FINDINGS, INTENT, AND PURPOSE OF SECTIONS 4 - 6 AND 19. (a) The  
23 Alaska State Legislature finds that

24 (1) the Alaska Railroad Corporation is uniquely suited to serve essential  
25 functions of the state by providing financing for a facility for the transportation of certain  
26 natural gas resources located within the state;

27 (2) providing financing for that facility furthers the purposes of both the state  
28 and the Alaska Railroad Corporation by assuring that the state's natural gas resources will be  
29 transported to their appropriate markets, thus creating revenue for the Alaska Railroad  
30 Corporation and for the state and providing employment opportunities for residents of the  
31 state;

1 (3) the facility also will enhance and improve the state's ability to develop and  
 2 transport other natural resources of the state, including oil and gas resources located off the  
 3 North Slope of this state; and

4 (4) these results are essential purposes of the state and the achievement of  
 5 these purposes is critical to the health and welfare of the state.

6 (b) A purpose of secs. 4 - 6 and 19 of this Act is to clarify the statutory functions and  
 7 powers of the Alaska Railroad Corporation by expressly including the power to provide  
 8 financing for transportation facilities as described in those sections of this Act.

9 (c) It is the intent of the legislature that

10 (1) secs. 4 - 6 and 19 of this Act be construed broadly to permit the Alaska  
 11 Railroad Corporation the greatest flexibility to accomplish the purpose described in (b) of this  
 12 section within the limitations set out in those sections of this Act; and

13 (2) other provisions of AS 42.40 in existence before the enactment of secs. 4 -  
 14 6 and 19 of this Act be similarly construed to complement the provisions of this Act.

15 \* **Sec. 3.** AS 38.35 is amended by adding new sections to read:

16 **Sec. 38.35.240. Expeditious priority treatment by state officials and**  
 17 **agencies in support of development and construction of an Alaska North Slope**  
 18 **natural gas project under this chapter.** (a) In the development and construction of  
 19 an Alaska North Slope natural gas project that requires the grant of a right-of-way  
 20 lease under this chapter, every state official and agency shall give full cooperation to  
 21 the commissioner, or to any official to whom delegation of the authority of the  
 22 commissioner is made by or under law, consistent with the provisions of the law  
 23 administered by the official or agency, by issuing or granting necessary permits,  
 24 certificates, authorizations, and similar actions required to be taken at the earliest  
 25 practicable date, with action to be taken on an expedited basis and, notwithstanding  
 26 any other provision of law, having precedence over any like matter pending before the  
 27 official or agency.

28 (b) In the commissioner's consideration of an application under this chapter  
 29 for a lease for the Alaska North Slope natural gas project, the commissioner may limit  
 30 the scope of review, analysis, and finding for the applicant's proposed lease  
 31 application under this chapter to a particular phase of the project if, in the judgment of

1 the commissioner, the project is capable of proceeding in discrete phases and

2 (1) the uses and activities involving the project on the land for which  
3 the approval is to be granted are part of that discrete phase;

4 (2) before the next phase of the project may proceed, the commissioner  
5 gives public notice and opportunity for comment about that phase, unless the use or  
6 activity to be approved is subject to a consistency determination under AS 46.40 and  
7 public notice and the opportunity to comment are provided under AS 46.40.096(c);

8 (3) the commissioner's approval is required before the next phase of  
9 the project may proceed; and

10 (4) the commissioner sets out the reasons for proceeding on the  
11 application in discrete phases.

12 (c) In this section, "Alaska North Slope natural gas project" means "North  
13 Slope natural gas pipeline" as set out in AS 38.35.120(a)(1)(B), including the facilities  
14 that are necessary for, and to the extent used for, treating and conditioning the gas to  
15 be transported, and the components of the processing plants associated with natural  
16 gas conditioning, to be constructed or modified to follow generally a route that  
17 parallels the Trans Alaska Pipeline System and the Alaska Highway to the Canadian  
18 border, or to tidewater for liquefied natural gas, and any spur lines to serve people in  
19 the state, to transport natural gas derived from the area of the state lying north of 64  
20 degrees North latitude.

21 **Sec. 38.35.245. Judicial review.** Notwithstanding AS 38.35.200 and  
22 notwithstanding any other provision of law, with respect to a decision made or action  
23 taken bearing upon the development, construction, and operation of an Alaska North  
24 Slope natural gas project, as described in AS 38.35.240, a person may seek judicial  
25 review of a decision of the commissioner under AS 38.35.100 or 38.35.240 or of any  
26 agency or employee relating to the project only on the grounds provided in  
27 AS 38.35.200(b). The claim for judicial review may be brought only within 60 days  
28 after the making of the decision or taking of the action.

29 \* **Sec. 4.** AS 42.40.250 is amended by adding a new paragraph to read:

30 (31) provide financing for the acquisition, construction, improvement,  
31 maintenance, equipping, and operation of facilities for the transportation of natural gas

1 resources within and outside the state without regard to whether the facilities are or  
 2 will be owned in whole or in part by the corporation or located on land owned by the  
 3 corporation.

4 \* **Sec. 5.** AS 42.40.630 is amended by adding new subsections to read:

5 (b) Before issuing bonds to provide the financing described in  
 6 AS 42.40.250(31) for a facility to be owned in whole or in part by an entity other than  
 7 the corporation, the corporation shall enter into a contract, lease, or other form of  
 8 agreement that will, in the judgment of the corporation, provide sufficient  
 9 consideration to

10 (1) pay the principal of and interest on the bonds as they become due;

11 (2) create and maintain the reserves for the payments that the  
 12 corporation considers necessary or desirable; and

13 (3) pay all costs necessary to service or additionally secure the bonds,  
 14 including trustee's fees and bond insurance premiums, unless these costs are to be paid  
 15 by a party other than the corporation.

16 (c) Before issuing bonds to provide the financing described in  
 17 AS 42.40.250(31), whether for a facility to be owned by the corporation or for a  
 18 facility to be owned as described in (b) of this section, the corporation shall obtain the  
 19 prior approval of the governor.

20 \* **Sec. 6.** AS 42.40 is amended by adding a new section to read:

21 **Sec. 42.40.695. Public purpose of bonds.** Bonds of the corporation issued to  
 22 finance facilities described in AS 42.40.250(31) are issued by a public corporation and  
 23 an instrumentality of the state for an essential public and governmental purpose.

24 \* **Sec. 7.** AS 43.56.020(a) is amended to read:

25 (a) The following are exempt from local taxes levied or authorized under  
 26 AS 43.56.010(b):

27 (1) property rights attached to or inherent in the right to explore for or  
 28 produce oil or gas;

29 (2) oil or gas leases or properties, whether producing or not;

30 (3) oil or gas in place;

31 (4) oil or gas produced or extracted in the state;

1 (5) the value of intangible drilling expenses and exploration expenses;

2 (6) an interest in property described in AS 43.55.017(a);

3 **(7) an interest in taxable property that is part of an Alaska North**  
 4 **Slope natural gas project, whether or not, under AS 43.82, the project has been**  
 5 **determined by the commissioner of revenue to meet the requirements of**  
 6 **AS 43.82.100, from the project's construction commencement date as defined in**  
 7 **AS 43.56.210, as determined by the commissioner, until 12 full calendar months**  
 8 **after the calendar month that the project is placed in service, but not later than**  
 9 **December 31, 2012, but the commissioner shall extend this date after project**  
 10 **construction has commenced if that construction is delayed due to litigation or to**  
 11 **shortages of supplies for construction that are not due to or under the control of**  
 12 **a taxpayer who is a producer, as that term is defined in AS 31.05.170, or not due**  
 13 **to or under the control of a project sponsor.**

14 \* **Sec. 8.** AS 43.56.020(b) is amended to read:

15 (b) There is exempt from state taxes levied or authorized under  
 16 AS 43.56.010(a),

17 **(1)** before the construction commencement date, property that is  
 18 committed by contract or other agreement for use in this state primarily for the  
 19 production or pipeline transportation of gas or unrefined oil, or in the operation or  
 20 maintenance of facilities for the production or pipeline transportation of gas or  
 21 unrefined oil; **and**

22 **(2) taxable property described in (a)(7) of this section, subject to**  
 23 **the requirements or conditions of (d) of this section.**

24 \* **Sec. 9.** AS 43.56.020 is amended by adding new subsections to read:

25 (d) For the Alaska North Slope natural gas project, the exemptions provided in  
 26 (a)(7) and (b)(2) of this section do not apply unless a taxpayer, or a person acting  
 27 under contract with the taxpayer or the project's sponsor,

28 (1) complies with all relevant requirements of 15 U.S.C. 717z (Natural  
 29 Gas Act) or 15 U.S.C. 719 - 719o (Alaska Natural Gas Transportation Act of 1976), as  
 30 applicable to the project;

31 (2) complies with all valid federal, state, and municipal laws relating to

1 hiring Alaska residents and contracting with Alaska businesses to work in the state in  
2 the design, construction, and operation of the project to the extent the residents and  
3 businesses are available, competitively priced, and qualified, and the taxpayer or  
4 project sponsor does not discriminate against Alaska residents or businesses;

5 (3) advertises for available positions in newspapers in the location  
6 where the work is to be performed and in other publications distributed throughout the  
7 state, including in rural areas, and uses Alaska job service organizations located  
8 throughout the state and not just in the location where the work is to be performed in  
9 order to notify Alaskans of work opportunities on the project;

10 (4) within the constraints of law, encourages the owner's contractors to  
11 train and subsequently to hire state residents consistent with (2), (3), and (5) of this  
12 subsection;

13 (5) recruits, within the constraints of law, and employs qualified state  
14 residents as workers on available jobs; the owner shall prepare and submit to the  
15 commissioner of labor and workforce development

16 (A) on an annual basis, a report that sets out in detail the  
17 specific measures that the owner and the owner's contractors have taken or are  
18 planning to take

19 (i) to recruit qualified state residents for available jobs  
20 and that describes job training opportunities; and

21 (ii) to use Alaska businesses;

22 (B) on a quarterly basis, using state data, a report concerning  
23 the use of state residents, including the number of residents hired or employed  
24 during the previous period;

25 (6) makes, as permitted by law, reasonable efforts

26 (A) to employ Alaska firms that are available, competitively  
27 priced, and qualified to perform engineering and construction services; and

28 (B) to fabricate or manufacture in the state needed gas  
29 production and pipeline modules and other facilities;

30 (7) agrees to apply, after the project is placed in service, and does  
31 apply the full amount of the tax exemptions provided in (a)(7) and (b)(2) of this

1 section and AS 43.56.030(2)(A) and (C) to reduce the applicable tariff;

2 (8) agrees to submit an application under AS 43.82.120;

3 (9) not later than June 30, 2004,

4 (A) submits an application for the grant of a right-of-way lease  
5 under AS 38.35; and

6 (B) schedules an open season for the natural gas pipeline so  
7 that all potential shippers of North Slope natural gas, whether with respect to  
8 the pipeline's initial capacity or its expansion capacity, have a fair and equal  
9 opportunity to obtain shipping capacity on the pipeline; and

10 (10) requires that its agents and contractors, the agents and contractors  
11 of a person acting under contract, or the agents and contractors of a project sponsor,  
12 negotiate to obtain, where possible, a project labor agreement for the employment of  
13 laborers and mechanics for the construction of the project.

14 (e) The provisions of (d) of this section do not create or abridge individual  
15 rights and do not create a private right of action or claim by any person.

16 \* **Sec. 10.** AS 43.56.030 is amended to read:

17 **Sec. 43.56.030. In place of other taxes.** Except for those taxes imposed  
18 under AS 43.55, the taxes levied or authorized under AS 43.56.010(b) are in place of  
19 **all other**

20 (1) [ALL OTHER] ad valorem taxes or other taxes imposed by a  
21 municipality on property subject to tax under this chapter or exempted from taxation  
22 by AS 43.56.020; and

23 (2) [ALL OTHER] taxes imposed by a municipality on or with respect  
24 to the property subject to tax under this chapter or exempted from taxation by  
25 AS 43.56.020, including, but not limited to,

26 (A) taxes on the retail sale or use of the property except for the  
27 retail sales tax on the first \$1,000 of each sale; **however, the exception for**  
28 **retail sales or use taxes on the first \$1,000 of each sale does not apply to a**  
29 **retail sale or use involving property used or committed by contract or**  
30 **other agreement for use in the development, construction, operation, or**  
31 **maintenance of an Alaska North Slope natural gas project;**

1 (B) taxes on the sale or use of gas or unrefined oil;

2 (C) taxes on the sale or use of services used in or associated  
3 with the property or in its maintenance or operation except for the sales tax on  
4 the first \$1,000 of each sale; **however, the exception for retail sales or use**  
5 **taxes on the first \$1,000 of each sale does not apply to a retail sale or use**  
6 **involving services used in or associated with the property used or**  
7 **committed by contract or other agreement for use in the development,**  
8 **construction, operation, or maintenance of an Alaska North Slope natural**  
9 **gas project;**

10 (D) taxes on or measured by gross or net income from the  
11 property, including income from the exploration for, production of, or pipeline  
12 transportation of gas or unrefined oil or property; and

13 (E) any license, excise, fee, charge, or other tax on or  
14 pertaining to the property or services.

15 \* Sec. 11. AS 43.56.210(2) is amended to read:

16 (2) "construction commencement date" means, **for property subject**  
17 **to tax under this chapter used in the exploration for, production of, or pipeline**  
18 **transportation of unrefined oil through a facility the construction of which was**  
19 **begun before April 1, 1974,** the earlier of April 1, 1974, or the date the following  
20 occur, **and, for all other property subject to tax under this chapter, including**  
21 **property used in the pipeline transportation of North Slope natural gas through**  
22 **an Alaska North Slope natural gas project, the date on which all of the following**  
23 **have occurred:**

24 (A) there has been issued to the owner or an agent of the owner  
25 right-of-way permits, leases, and title and other rights in land, and other  
26 approvals, permits, licenses, and certificates, by federal, state, and local  
27 agencies that a reasonable and prudent person would consider adequate to  
28 commence construction of the facilities in the expectation that all other  
29 approvals, permits, licenses, and certificates necessary for the completion of  
30 facilities will be obtained;

31 (B) all approvals, permits, licenses, and certificates are in full

1 force and effect, unrevoked and without any modification that might jeopardize  
2 the completion or continued construction of the facilities; and

3 (C) no order, judgment, decree, determination, or award of a  
4 federal, state, or local court or administrative or regulatory agency enjoining,  
5 either temporarily or permanently, the construction or the continuation of  
6 construction of the facilities is in effect;

7 \* **Sec. 12.** AS 43.56.210 is amended by adding a new paragraph to read:

8 (9) "Alaska North Slope natural gas project" means a natural gas  
9 pipeline that originates in the Prudhoe Bay area of the North Slope of Alaska and that  
10 generally follows a route that parallels the Trans Alaska Pipeline System and the  
11 Alaska Highway to the Canadian border or, for liquefied natural gas, to tidewater; the  
12 term

13 (A) includes those portions of any gas processing facilities  
14 described in this paragraph that are used to remove carbon dioxide or other  
15 nonhydrocarbon impurities and to boost pressure, for the purpose of  
16 conditioning gas for immediate shipment in the pipeline described in this  
17 paragraph;

18 (B) does not include facilities, equipment, or other property

19 (i) to the extent or in the proportion they are used for  
20 the purpose of manufacturing natural gas liquids or miscible injectant;  
21 or

22 (ii) upon which taxes imposed by this chapter have been  
23 paid before the effective date of this paragraph.

24 \* **Sec. 13.** AS 43.82.100 is amended to read:

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

28 (1) is a project **that principally involves**

29 **(A) the processing and transportation of natural gas by**  
30 **pipeline to one or more markets outside the state, including an Alaska**  
31 **North Slope natural gas project as that term is defined in AS 38.35.240;**

1                   **(B)** [FOR] the export of liquefied natural gas **from the state to**  
 2                   **one or more other states or countries; or**

3                   **(C) the development of discrete facilities, or portions of**  
 4                   **discrete facilities, that are necessary to produce, gather, process,**  
 5                   **condition, compress, or distribute natural gas, to be transported to, by, or**  
 6                   **from a pipeline or liquefied natural gas project described in (A) or (B) of**  
 7                   **this paragraph;**

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

10                  (3) is capable, subject to applicable commercial regulation and  
 11                  technical and economic considerations, of making gas available to meet the reasonably  
 12                  foreseeable demand in this state for gas within the economic proximity of the project.

13       \* **Sec. 14.** AS 43.82.110 is amended to read:

14                  **Sec. 43.82.110. Qualified sponsor or qualified sponsor group.** The  
 15                  commissioner may determine that a person or group is a qualified sponsor or qualified  
 16                  sponsor group if the person or a member of the group

17                  (1) intends to own an equity interest in a qualified project, intends to  
 18                  commit gas that it owns to a qualified project, or holds the permits that the department  
 19                  determines are essential to construct and operate a qualified project; and

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

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

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

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

27                        (D) has a net worth equal to at least 33 percent of the estimated  
 28                        cost of constructing a qualified project;

29                        (E) has an unused line of credit equal to at least 25 percent of  
 30                        the estimated cost of constructing a qualified project;

31                        **(F) has entered into a contract or binding precedent**

1           **agreement to provide gathering, processing, conditioning, compression,**  
 2           **transportation, or distribution services for at least 10 percent of the**  
 3           **stranded gas proposed to be developed by a qualified project.**

4   \* **Sec. 15.** AS 43.82.120 is amended by adding a new subsection to read:

5           (d) For purposes of an application for facilities described in  
 6 AS 43.82.100(1)(C) that relate to a project, one or more qualified sponsors or qualified  
 7 sponsor groups may file separate applications for any discrete facility or portion of a  
 8 discrete facility of a project.

9   \* **Sec. 16.** AS 43.82.140 is amended by adding a new subsection to read:

10          (d) For purposes of an application for facilities described in  
 11 AS 43.82.100(1)(C) that relate to a project for which application is made under  
 12 AS 43.82.120(d), the commissioner and the commissioner of natural resources may  
 13 review and approve applications from one or more qualified sponsors or qualified  
 14 sponsor groups for any discrete facility or portion of a discrete facility of a project if  
 15 the commissioner or the commissioner of natural resources finds that the facility or  
 16 portion of the facility is a necessary part of a comprehensive transportation system  
 17 described in AS 43.82.100(1)(A) or (B).

18   \* **Sec. 17.** AS 43.82.170 is amended to read:

19           **Sec. 43.82.170. Application deadline.** The commissioner of revenue or the  
 20 commissioner of natural resources may not act on an application for a contract  
 21 submitted under AS 43.82.120 unless the application is received by the Department of  
 22 Revenue no later than **June 1, 2003** [JUNE 30, 2001].

23   \* **Sec. 18.** AS 44.33 is amended by adding a new section to read:

24           **Article 5A. Natural Gas Pipeline Impact Assistance.**

25           **Sec. 44.33.440. Natural gas pipeline impact assistance.** (a) It is the  
 26 intention of the legislature to provide temporary emergency financial assistance to  
 27 municipalities for the purpose of meeting certain extraordinary operating and capital  
 28 improvement expenditures necessitated by population growth resulting from natural  
 29 gas pipeline development construction. It is the further intention of the legislature that  
 30 the state respond promptly to the needs of municipalities that are related to the effect  
 31 of natural gas pipeline development.

1           (b) Subject to legislative appropriations for the purpose, the department may  
 2 make grants to a municipality that is affected by natural gas pipeline development,  
 3 demonstrating extraordinary municipal and educational operating expenditures that are  
 4 beyond its reasonable capability to meet from growth in receipts from current  
 5 municipal revenue sources. Grants made under this subsection may be expended only  
 6 for municipal and educational operating services.

7           (c) Grants made under this section may not be used directly or indirectly to  
 8 reduce current municipal tax rates.

9           (d) Where the impact of rapid, sudden population growth threatens to develop  
 10 open space land that otherwise would remain free of urban development, the  
 11 department may make grants to a municipality affected by natural gas pipeline  
 12 development, contributing an equal amount for the acquisition or improvement of  
 13 open space or greenbelt lands, recreation facilities, parks, or wildlife refuges. A grant  
 14 under this subsection may exceed \$500,000. A grant made under this subsection may  
 15 not be used directly or indirectly to reduce current municipal tax rates or to retire  
 16 existing bonded indebtedness.

17           (e) Grants under this section may be made only upon application by the  
 18 municipality to the department. Each grant application must state the intended use for  
 19 which the grant will be expended.

20           (f) A municipality receiving grants under this section shall

21                   (1) maintain a separate account for the grants received under this  
 22 section;

23                   (2) provide for an annual independent audit of the separate account for  
 24 grants received under this section; and

25                   (3) submit a copy of the independent audit report to the department.

26           (g) The department may adopt regulations necessary to carry out the purpose  
 27 of this section.

28           (h) In this section,

29                   (1) "department" means the Department of Community and Economic  
 30 Development;

31                   (2) "municipality" means a home rule or general law city or borough,

1 including but not limited to a unified municipality;

2 (3) "operating expenditures" means personal services, contractual  
3 services, travel, commodities, and up to \$20,000 for each item of equipment, except  
4 that the term does not include any of these items if the item is part of a capital  
5 improvement expenditure; relocatable classrooms necessary for expanded school  
6 enrollment are not subject to the \$20,000 limitation.

7 \* **Sec. 19.** The uncodified law of the State of Alaska is amended by adding a new section to  
8 read:

9 LEGISLATIVE AUTHORIZATION AND APPROVAL. (a) Subject to the  
10 requirements of AS 42.40.630(b), enacted by sec. 5 of this Act, the Alaska Railroad  
11 Corporation is authorized to issue bonds under the power granted to it in AS 42.40 to finance  
12 the construction of a natural gas pipeline and related facilities for the transportation of natural  
13 gas recovered from the North Slope of this state. The maximum principal amount of bonds  
14 that the Alaska Railroad Corporation may issue under this section is \$17,000,000,000. The  
15 Alaska Railroad Corporation may issue the bonds in a single issuance or in several issuances,  
16 without limitation as to number of issuances or timing, and as the Alaska Railroad  
17 Corporation determines best furthers the purpose of financing the gas pipeline and related  
18 facilities described in this section. The Alaska Railroad Corporation shall negotiate with the  
19 producers of the gas or with one or more other entities as the Alaska Railroad Corporation  
20 considers appropriate, and shall enter into agreements with those producers or one or more  
21 other entities to provide revenue sufficient to accomplish the purposes described in  
22 AS 42.40.630.

23 (b) This section constitutes the approval required by AS 42.40.285 for the issuance of  
24 the bonds described in this section.

25 \* **Sec. 20.** The uncodified law of the State of Alaska is amended by adding a new section to  
26 read:

27 RETROACTIVITY. Sections 13 - 17 of this Act are retroactive to July 1, 2001.

28 \* **Sec. 21.** Sections 7 - 12 and 18 of this Act take effect January 1, 2003.

29 \* **Sec. 22.** Except as provided in sec. 21 of this Act, this Act takes effect immediately under  
30 AS 01.10.070(c).