

HOUSE FINANCE COMMITTEE  
February 15, 2001  
1:58 PM

TAPE HFC 01 - 29, Side A  
TAPE HFC 01 - 29, Side B  
TAPE HFC 01 - 30, Side A

CALL TO ORDER

Co-Chair Mulder called the House Finance Committee meeting to order at 1:58 PM.

MEMBERS PRESENT

Representative Eldon Mulder, Co-Chair  
Representative Bill Williams, Co-Chair  
Representative Con Bunde, Vice-Chair  
Representative Eric Croft  
Representative John Davies  
Representative Richard Foster  
Representative John Harris  
Representative Bill Hudson  
Representative Ken Lancaster

MEMBERS ABSENT

Representative Carl Moses  
Representative Jim Whitaker

ALSO PRESENT

Annalee McConnell, Director, Office of Management and Budget, Office of the Governor; Bill Britt, State Pipeline Coordinator, Department of Natural Resources; Ken Taylor, Director, Division of Habitat and Restoration, Department of Fish and Game; Pat Galvin, Director, Governmental Coordination, Office of the Governor; Remond Henderson, Director, Division of Administrative Services, Department of Labor and Workforce Development; Kurt Parkan, Deputy Commissioner, Department of Transportation and Public Facilities; Sharon Barton, Director of Personnel, Department of Administration; Mike Maher, Director, Division of Administrative Services, Department of Revenue; Janet Kolaski, Director, Division of Elections, Office of the Lieutenant Governor; Laurie Alfred, Business Manager, Division of Elections, Office of the Lieutenant Governor; Larry Persily, Deputy Commissioner, Department of Revenue; Kurt Fredrickson, Deputy Commissioner, Department of Environmental Conservation; Dan Spencer, Director, Division of Administrative Services, Department of Administration; Richard McMahon, Chief, Lands Records, Department of Natural Resources; Ken Freeman, Special Assistance, Business and Gas line Development, Office of the Governor; Jan Levy,

Supervising Attorney, Juneau Oil Gas and Mining Section,  
Department of Law.

PRESENT VIA TELECONFERENCE

Dan Dickinson, Division of Tax, Department of Revenue; Kelly Nicoletto, Assistant State Fire Marshal, Division of Fire Prevention, Department of Natural Resources; Richard McMahon, Chief, Lands Records, Department of Natural Resources; Bill Van Dyke, Lease Administration/Royalty, Division of Oil and Gas, Department of Natural Resources; Ken Freeman, Office of the Governor; Cam Toohey, Executive Director, Arctic Power.

SUMMARY

HB 117 "An Act making supplemental and other appropriations; and providing for an effective date."

CSHB 117 (FIN) was REPORTED out of Committee with a "do pass" recommendation.

#hb117

HOUSE BILL NO. 117

"An Act making supplemental and other appropriations; and providing for an effective date."

Co-Chair Mulder provided members with a proposed committee substitute, work draft #22-GH108\C, dated 2/15/01 (copy on file). He observed that items that were not time sensitive were deleted from the Governor's submission. He observed that the most difficult item to assess pertained to the natural gas pipeline. He stressed that an attempt was made to identify portions of the request that would have a positive impact on the project and were time sensitive. The following portions of the request were identified as time sensitive:

Sec. DEPARTMENT OF NATURAL RESOURCES. The sum of 213,900 is appropriated from the general fund to the Department of Natural Resources, Division of Oil & Gas for the cost of studies relative to gas royalties and Reservoir Studies.

Sec. DEPARTMENT OF LAW. The sum of 203.700 is appropriated from the general fund to the Department Law for retaining legal experts to advise on gas pipeline issues.

Sec. DEPARTMENT OF REVENUE. The sum of \$75,000 is appropriated from the general fund to the Department of Revenue to contract for an analysis of the state's fiscal regime for natural gas development.

ANNALEE MCCONNELL, DIRECTOR, OFFICE OF MANAGEMENT AND BUDGET, OFFICE OF THE GOVERNOR provided information on the natural gas pipeline. She observed that agencies have worked since the fall to determine what activities the state could undertake to advance the prospects for commercialization of North Slope gas. She noted that a capital project for the gas line was included in the Governor's December 15, 2000 submittal. The Governor anticipates that additional amendments would be submitted in addition to this request. She emphasized that early advancement of the project would increase state revenues by \$200 - \$400 million dollars.

BILL BRITT, STATE PIPELINE COORDINATOR, DEPARTMENT OF NATURAL RESOURCES provided information on the supplemental request. He maintained that the FY 2001 Supplemental Budget Request would help advance development of Alaskan natural gas consistent with the following principles:

- Alaskan access to the gas;
- Alaskans working on the project; and
- Alaskan returns for our resources.

Mr. Britt highlighted actions contained in the proposal:

Establishing a coordinated state permitting process;  
Working with project proponents to advocate Alaskan interests; and  
Informing Alaskans of the issues involved in developing Alaskan natural gas, and soliciting their views on those issues.

Mr. Britt pointed out that these actions are not specific to a route. Co-Chair Mulder stated a preference for a southern route. Mr. Britt noted that the Administration shares the preference for a southern route.

Representative John Davies questioned how much of the route would focus on South Eastern Alaska from Delta Junction. He questioned how much is route specific.

Mr. Britt stated that the requests vary. The request for fire prevention in the Department of Public Safety is for training of deputy fire marshals in gas pipeline and gas facility fire prevention codes. This would be applicable to any route. Requests from Department of Fish and Game and Department of Environmental Conservation would be targeted to the highway route.

Mr. Britt emphasized that the intent is to provide prompt authorization in order to increase Alaska's financial return from the project.

Mr. Britt stressed that the efforts in this request are needed now if the department is to be ready to make policy

decisions and efficiently process the permit applications. They expect to receive applications before the end of this calendar year.

Regarding the permitting applications, the department feels that if they are ready they can positively affect the length of the permitting process and construction. "Time, genuinely, can be the difference between an opportunity ceased and an opportunity missed here." By minimizing the potential for delays they maximize the potential of success. The ultimate beneficiary is the economy of Alaska.

Mr. Britt observed that British Petroleum Inc., Phillips and Exxon have an office with 50 staff in place now, and have indicated that they will grow that office to 90 by the end of the year. They have also indicated that they will spend \$75 million dollars in the next 9 months preparing for the gas pipeline project. The work in the supplemental request is necessary to allow Alaska to advise project proponents, to keep the state from impeding their progress, and to keep Alaskan priorities at the forefront of the discussion, as the proponents move forward in a very aggressive manner. He noted that there are other interested parties in discussions.

Mr. Britt reiterated that the Department of Revenue has estimated that the state will receive between \$200 million and \$400 million dollars in the first year of gas pipeline operation. It may be appropriate to measure general fund investments needed to accelerate gas pipeline development against the return.

KURT FREDRICKSON, DEPUTY COMMISSIONER, DEPARTMENT OF ENVIRONMENTAL CONSERVATION provided information on the proposal for a natural gas pipeline. The project will touch the majority of their program areas. There are air and water quality, solid waste disposal, sewage handling and disposal, drinking water and food safety issues. He emphasized that an aggressive program would resolve many of the potential issues up front. The proposal would authorize the hire of six positions to work with air, water, spill prevention and response, and environmental health. An air engineer would also be hired to work on pre-monitoring of ambient air quality. There is a large potential emissions source in the North Slope and Fairbanks.

Mr. Fredrickson noted that the department would create an office to focus on gas line process in areas of specific concern. The department would also review data collected by various entities that would be useful. Companies are enquiring regarding environmental issues.

Representative Croft referred to statements by the department referring to the project sponsor: Pre-application

work with the project sponsor to update and perfect DEC permit applications' and supporting environmental documentation will reduce future delays in approving DEC permit applications. He asked Mr. Fredrickson to identify the project sponsor. Mr. Fredrickson acknowledged that there is not an absolute project sponsor at this time. He anticipated that the producers would be the project sponsors.

Co-Chair Williams acknowledged the importance of the gas pipeline. He observed that oil companies have not indicated that they would build the pipeline earlier. He stressed that the budget is tight and that "nothing out there is concrete, but we are going to pour concrete." He suggested that the funding be made available in the next year.

Mr. Britt responded that the window of opportunity may be narrow. He observed that demand has not kept up with supply. Supply will increase and Alaska can be part of the increase. He stressed that the project could be jeopardized by a lack of funding.

Co-Chair Williams expressed further concerns. Mr. Britt argued that the indications are good that a gas pipeline would be built. The choice is to wait until an application is submitted and risk delay.

Ms. McConnell clarified that section 8 of HB 117 contains the Governor's submittal relating to gas pipeline projects.

Co-Chair Mulder observed that the Department of Environmental Conservation is requesting \$141.9 thousand dollars to hire a Department of Environmental Conservation liaison to work with the State Pipeline Coordinator and other state agencies to establish an operating gas pipeline office. They would also hire four environmental program specialists (air, water, spill prevention & response, and environmental health) to work with the project sponsor, and other state and federal agencies on issues within their program jurisdiction and expertise. They would also hire an air quality chemist to work with the project sponsor on summer air quality monitoring objectives.

KEN TAYLOR, DIRECTOR, DIVISION OF HABITAT AND RESTORATION, DEPARTMENT OF FISH AND GAME explained that the department's responsibility is to assure that fish and wildlife populations are protected during the construction phase. They are requesting two positions: a Pipeline Liaison/Surveillance Supervisor and a Design/Permitting Coordinator. He noted that activities will be postponed until FY02 where possible. Once an application is received the applicant would reimburse the department. The positions would begin to review and analyze records, identify potential data gaps, select and hire staff for the summer

field season and work with other agency liaisons to create a streamlined gas pipeline office.

Vice-Chair Bunde asked for details regarding equipment purchases. Mr. Taylor observed that the department would need to buy some field equipment for staff starting in July 2001. There would be two field camps.

Co-Chair Mulder questioned what would be lost if the department's request was not included in the fast track legislation. Mr. Taylor explained that the department would not have time to hire the appropriate staff for the summer season if they do not get started. There are three critical; field seasons: summer, winter and spring. Co-Chair Mulder questioned how areas could be evaluated in the absence of an application. Mr. Taylor emphasized that any of the alternatives would use a significant portion of the current pipeline right-of-way. The oil pipeline utilizes a heated pipe. The gas pipeline would be a cool pipe and may be buried in places. The gas pipeline may be within the right away but would not be adjacent. The right-of-way varies.

Mr. Britt noted that there are engineering issues related to safety. The State Pipeline Coordinator's office does land management and engineering due diligence associated with the projects. Engineers have a variety of design alternatives for stream crossings. He explained that engineers would base their work on imperatives and environmental data.

Co-Chair Mulder questioned how they would analyze the route before an application is submitted. Mr. Britt responded that the Department of Fish and Game is not proposing to send large teams out to sample. The producers are proposing to do field work. Funding would allow the state to work with the producers to assure that the data is sensitive to state regulatory and statutory requirements.

Vice-Chair Bunde observed that the corridor is 10 miles wide. Mr. Britt noted that federal and state route specific right-a-ways have been granted and are in place. Decisions will be made to see if the value of the current right-of-way is sufficient for its use. Absence geological or technical change the department feels that they can make good estimates as to where the pipeline is likely to go.

Ms. McConnell interjected that the fieldwork can identify possible problems in order to avoid them. Mr. Britt interjected that the General Accounting Office recommended that as much specific information be collected as possible. The General Accounting Office found that one of the reasons for cost overruns on the Trans-Alaska Pipeline System (TAPS) was a lack of data during the design phase. He stressed that data will help things move faster and cost less.

PAT GALVIN, DIRECTOR, DIVISION OF GOVERNMENTAL COORDINATION (DGC), OFFICE OF THE GOVERNOR stated that his division is responsible for implementation of the Alaska Coastal Management Program (ACMP). He observed that DGC would conduct a coordinated ACMP consistency review. He stressed that answering questions before the project begins would result in substantial minimization of delays during the project. The State Pipeline Coordinator's Office will do most of the coordination. The Division of Governmental Coordination would hire a DGC liaison position, which would be dedicated to the start up of the pipeline, coordination of pre-application assistance, and the coordination of the state's review. Cost and time associated with the permitting process would be a major component. He stressed the need to have staff available to help with the decisions. A number of agencies have received invitations from producer groups to participate in discussions regarding permitting, operations and locations. He stressed the need for personnel to engage in the discussions.

Co-Chair Mulder questioned why the current staff could not handle the work. Mr. Galvin responded that the agency is currently working at full capacity. He stressed that other projects related to on-going projects would lose out. Ms. McConnell added that it would be difficult to tell others that their projects could not go forward because of pipeline activity. Co-Chair Mulder stressed that it is a matter of hierarchy and prioritization.

In response to a comment by Representative John Davies, Mr. Galvin stated that one of the concerns with the Northern route would be the impact of permitting and the large hurdles that would have to be overcome.

REMOND HENDERSON, DIRECTOR, DIVISION OF ADMINISTRATIVE SERVICES, DEPARTMENT OF LABOR AND WORKFORCE DEVELOPMENT observed that the department's request is \$26.9 thousand dollars. The department's mandate is to assure that there are qualified Alaskan workers.

**(TAPE CHANGE, HFC 01 - 29, SIDE 2)**

Mr. Henderson added that the Department of Labor and Workforce Development would conduct occupational supply and demand analysis to identify potential workforce gaps. In addition, the department would coordinate efforts to maximize the employment of Alaska residents and to ensure worker safety.

Vice-Chair Bunde questioned the rush. Mr. Henderson explained that it takes time to correspond with industry experts and gather and analyze data. He stressed that the project could be delayed another year if the process is not

begun in April. An annual federal occupational employment survey would be augmented. The survey begins in October.

Ms. McConnell added that a major issue in providing Alaskan jobs is training. Jobs are not necessarily ones that can be trained in a short time. The department needs to assure that the training is available in Alaska. The Administration anticipates that there would be significant workforce shortages. Vice-Chair Bunde acknowledged the need for qualified employees.

Representative Hudson asked if the positions are needed for the balance of FY01 and for the full year of FY02. Ms. McConnell agreed and added that the positions would be located in the capital appropriation bill to reflect that they will not be permanently needed.

KELLY NICOLELLO, ASSISTANT STATE FIRE MARSHAL, DIVISION OF FIRE PREVENTION, DEPARTMENT OF NATURAL RESOURCES spoke in support of the gas pipeline supplemental request. The request would allow personnel to attend specialized engineering training regarding the practices and development criteria of natural gas pipeline production, distribution, compression and refrigeration facilities. This would allow the Division to respond to the applicant's requests for building construction permits regarding the pipeline on an equal footing, with greater speed and without a large learning curve.

Mr. Nicolello observed that in the process of providing building permit services for an applicant it is important to develop product and process knowledge so hazards, past pit falls and advancing technology can be ascertained, avoided, implemented and understood. The state has experience in oil pipeline and other hazardous processes but natural gas pipelines and related facilities are a specialty area in which there is limited experience. He noted that it is important to be able to converse with engineers, designers, operators and process control personnel when approving their concepts and designs for construction. Training can help eliminate a learning curve at the expense of project approvals.

Mr. Nicolello pointed out that the division is being asked informally, to comment on conceptual design elements. Without approval of the request the division would be at a disadvantage in pre-construction meetings and plan reviews, once there is an applicant, until they can become educated on the subject of natural gas pipeline design and engineering principals.

KURT PARKAN, DEPUTY COMMISSIONER, DEPARTMENT OF TRANSPORTATION AND PUBLIC FACILITIES explained that the department's request would allow a Liaison/Engineer III

position to be hired. If the route goes along the highway the Department of Transportation and Public Facilities would need to be involved in permitting. The department would also be involved in load issues relating to bridges.

Representative Croft stated that the requests presupposed a specific route. He questioned how the route was chosen. He maintained that the "cart was before the horse". He felt that the route was chosen prematurely. Mr. Parkan stated that if the route goes south that the highway would still be involved. Portions of the highway system will be needed regardless of which route is chosen.

Ms. McConnell recognized that there are still issues regarding the full location of the route. She maintained that most of the requests will be necessary regardless of the route. Applications will need to be reviewed regardless of the route.

Representative Croft noted that the Governor's backup states that: "The Knowles-Ulmer administration is working aggressively to develop Alaska's enormous North Slope natural gas resources by advancing construction of an Alaska Highway natural gas pipeline. This pipeline project is designed to achieve the three principles most Alaskans agree on when it comes to commercializing Alaska's gas." Ms. McConnell responded that the Governor has indicated his preference, but emphasized that many of the items need to go forward.

Co-Chair Mulder reviewed changes to the legislation contained in the proposed committee substitute. The original section 1, Administration, Pioneer Homes, 195.0 was not included. A new section 1 was added:

The sum of \$1,500,000 is appropriated from the general fund to the Department of Community and Economic Development for payment as a grant under AS 37.05.316 to Arctic Power for education efforts to open the coastal plain of the Arctic National Wildlife refuge for oil and gas exploration and development.

Sections 2 and 3(a) remain the same. Sections 3(b) and 3(c) were added to reappropriate funds to the Department of Fish and Game for the expenses of Board of Fisheries meetings regarding halibut subsistence.

Section 4(a) funding to the Office of the Governor, Elections, for costs incurred to comply with the US Supreme Court decision on closed statewide primary election held in August 2000, was reduced from 252.2 to \$100 thousand dollars. Co-Chair Mulder noted that the issue is not dead and would be revisited in the main supplemental. This is the amount deemed necessary to carry operations until April 1st.

Sections 4(b) and 5 remain the same.

Section 6 Department of Law was deleted: Continuing costs for prosecution of claims against Bank of America and other affiliated banks, and for litigation related to the allocation of public safety resources \$240.0 thousand dollars.

A new section 6 was added: The sum of \$10,000 is appropriated from the general fund to the Department of Law for the costs associated with litigation regarding the 1997 tort reform legislation for the fiscal years ending June 30, 2001, and June 30, 2002.

Representative Croft questioned why funding for the Bank of America litigation was removed. Co-Chair Mulder responded that they wanted additional information on the request and that it was not deemed to be time sensitive. He clarified that items were deleted based on their time sensitive nature.

There is a new section 7: The sum of \$608,396 is appropriated from the general fund to the Legislative Council for the Redistricting Board for operations for the fiscal year ending June 30, 2001.

The original section 7 was included as sections 8:

The sum of \$500,000 is appropriated from the general fund to the Department of Military and Veterans' Affairs, office of the commissioner, for a grant under AS 37.05.316 to 2001 Special Olympics World Winter Games, Alaska for operating costs of those games during the fiscal year ending June 30, 2001.

The old section 8 was deleted:

The sum of \$600,000 is appropriated from the general fund to the Department of Natural Resources, state pipeline coordinator's office, for gas pipeline development and related activities.

The appropriation in section 9 for \$1,276,000 to the Department of Revenue, Tax Division, for a tax assessment challenge was divided between general funds and statutory designated program receipts. Co-Chair Mulder noted that 90 percent of the additional value of the assessment would go to the North Slope Borough. He stressed that it is appropriate that the Borough share the cost of the assessment.

Sections 10(a), 10(b), 11(1), 11(2), 11(3) and 11(4) remained the same.

Section 11(5) was not included:

11(5)           Transportation Capital    Copper River Highway  
work done under the Consent Agreement    400.0

DAN SPENCER, DIRECTOR, DIVISION OF ADMINISTRATIVE SERVICES, DEPARTMENT OF ADMINISTRATION discussed the impact of the failure to fund section 1. He explained that reclassification takes place on March 1, 2001. The reclassification is an attempt to address recruiting and retention of employees. He acknowledged that the impact would not be critical if the funding is in the slow track supplemental. Positions will have to remain vacant. There are 5 permanent full time positions, 11 on call positions and 2 non-permanent positions that are vacant.

Co-Chair Mulder questioned if the legislature directed the department to proceed with reclassification. Mr. Spencer noted that the legislature did not direct the reclassification. He stressed that there is an obligation to provide nursing positions. Vacant skilled positions create a ripple affect through the pioneer homes. He emphasized that the state must ensure that qualified workers can be attracted. He observed that beds cannot be filled without sufficient nursing positions.

In response to a question by Representative Hudson, Mr. Spencer noted that the reclassification would be affective March 1, 2001. The reclassification would increase skilled practitioners two grade levels, approximately 15 percent.

Representative Croft concluded that vacant positions would be held open. Mr. Spencer noted that positions would be held open or funding would have to be taken from another area.

Co-Chair Mulder questioned the cost of the reclassification study.

SHARON BARTON, DIRECTOR OF PERSONNEL, DEPARTMENT OF ADMINISTRATION clarified that the study was done by the department at no additional cost. The study found that the average private comparable position received approximately \$450 dollars more a month. Experienced nurses were being paid \$800 dollars a month more than nurses employed by the state of Alaska. Many of the employers in the study were about to increase wages.

Representative Hudson expressed concern for the protection of life safety issues. Mr. Spencer stressed that risk in the homes would not be increased. He noted that covering vacant positions strains the staff. Vacancy would not cover the entire cost.

Representative Hudson observed that failure to fund the request would result in fewer new residents. Mr. Spencer agreed that the department does not have enough staff to fill all of the beds. He did not know if new beds would be added if the positions were filled.

In response to a question by Co-Chair Mulder, Mr. Spencer reiterated that 5 permanent full time positions are vacant. Eleven on-call and 2 non-permanent positions are also open. He did not know how successful the department would be in filling them. He noted that the item could be funded at \$150 thousand dollars to allow some margin of error. Ms. Barton noted that the state would still be behind in wages offered by private employers but emphasized that employees come to the state for a variety of reasons. She added that the state may be more successful in retaining employees at the higher wage.

Vice-Chair Bunde referred to projects supported by passenger facility charges (PFC). Mr. Parkan clarified that the PFC generated approximately \$850 thousand dollars at the Fairbanks airport to cover the cost of projects. He anticipated that collections would be \$2 million dollars annually at the two airports. Funds would be spent on projects at the airports they were collected. Funds would be used to cover a portion of the costs.

Co-Chair Mulder concluded that funds would go to Fairbanks and be used for debt service. Vice-Chair Bunde clarified that other funds would be used until sufficient PFC's were collected.

Representative Hudson asked for more information on section 9(b).

MIKE MAHER, DIRECTOR, DIVISION OF ADMINISTRATIVE SERVICES, DEPARTMENT OF REVENUE observed that the current air condition unit in the computer room has failed on numerous occasions. It overheats and has ruined some of the disk drives. It currently has a new compressor. This is a critical situation.

Co-Chair Mulder asked if he was referring to the PFD application season. Mr. Maher agreed and noted that it would end on March 31<sup>st</sup>.

Co-Chair Mulder asked if this was a time sensitivity issue. Mr. Maher replied that it would need to be done this year, but not necessarily by April 1<sup>st</sup>.

Representative John Davies asked for back up on the \$1.5 million dollar request for Arctic Power.

Co-Chair Mulder thought that the \$1.5 million dollars would be matched by \$500 thousand dollars for a total of \$2 million dollars in state funds and \$2 million dollars in private sector funds. There would be a total of \$4 million dollars to work on the opening of ANWR. He maintained that absent the request, ANWR would not be opened. Senator Murkowski recommended that the state move forward aggressively.

CAM TOOHEY, EXECUTIVE DIRECTOR, ARCTIC POWER stressed that the funding would present an opportunity to develop Alaska's energy potential. President Bush has supported moving forward on opening ANWR. Congressional legislation is expected to move.

**(TAPE CHANGE, HFC 01 - 30, SIDE A)**

Mr. Toohy stated that they would need help from Alaskans. Representative John Davies asked for him to provide an accounting of their budget.

Mr. Toohy observed that there is approximately \$480 thousand dollars from a past appropriation. He maintained that Arctic Power has promoted the state's effort.

JANET KOLASKI, DIRECTOR, DIVISION OF ELECTIONS, OFFICE OF THE LIEUTENANT GOVERNOR discussed section 4(a). She noted that the appropriation to run the primary and general elections was exhausted. The department originally projected an over expenditure for \$400 thousand dollars. The request was reduced to \$252 thousand dollars. The additional expenses were due to change in the primary law. The money has been spent out of the operating budget. The result of moving \$150 thousand out of that budget would be a 10 percent reduction. She noted that employees would have to be laid off in April. Offices would be closed by May.

LAURIE ALRED, BUSINESS MANAGER, DIVISION OF ELECTIONS provided information on the legislation. She noted that consolidation elections could run up to \$100 thousand dollars.

Representative Hudson asked the actual cost of the U.S. Supreme Court's decision on closed primaries. Ms. Kolaski replied that one of the big issues was the second ballot. Computers had to be reprogrammed. Much of that work was done out of the old rules, which were found to be unconstitutional. This was an emergency situation.

In response to a question by Representative Croft, Ms. Kolaski observed that they met with Lt. Governor Ulmer, Senator Pearce and another member of the Finance Committee before changing the primary ballot.

Vice-Chair Bunde questioned why the state is doing the local election at Adak. Ms. Kolaski explained that the election would result in the incorporation of Adak. Once Adak is incorporated they would handle their own local elections. The state would also conduct the Fairbanks election concerning consolidation due to the conflict of interest issue. She noted that the division also conducts the Rural Education Attendance Area and Coastal Resource Service Area elections.

Representative Croft referred to the legal case on the tax assessment challenge. The proposed committee substitute would shift 50 percent of the funding to statutory designated program receipts from the North Slope Borough. He questioned if the state has authority to take the funds from the Borough.

Mr. Dickinson explained statutes charge the state with assessing property. The property involved in the challenge is in the North Slope Borough. Most of the property tax goes to the Borough. There was a similar challenge in 1988. The North Slope Borough provided much of the resources used for the 1988 study. He noted that the Borough took over performance of some audits in 1992. There is no cooperative agreement to take over the project. The Borough has hired consultants to bid out analysis, which was provided to the department.

RICHARD MCMAHON, CHIEF, LANDS RECORDS, DEPARTMENT OF NATURAL RESOURCES testified via teleconference. He observed that they would work with the State Pipeline Coordinator's Office (SPCO) and the commissioner to implement Administrative Order 187. The major tasks are associated with land title work, mapping, geologic data assessment, hydrologic assessment, and archeological assessment. There is a request for four positions that would start in FY01.

Mr. Britt continued discussing the responsibilities of the State Pipeline Coordinator's Office. He noted that the supplemental request would allow permitting authorities to begin to prepare for receipt of a gas pipeline application. With the jumpstart envisioned in the supplemental request, the permitting agencies will receive better applications, have more fundamental data when the applications arrive, and be ready to move faster in approving the applications.

In FY 2001, the State Pipeline Coordinator's Office proposes to begin implementing Administrative Order 187. The major task associated with that implementation is the creation of a Gas Pipeline Office (GPO) as an operating unit of the SPCO. At the moment, the Federal-State Joint Pipeline Office is the only operating unit of the SPCO. The GPO will provide multi-agency one-stop permitting, authorization, and oversight for a gas pipeline application comparable to that

provided by JPO for TAPS.

Mr. Britt observed that the main FY 2001 tasks associated with the creation of a GPO are finding office space, staffing the office, and creating the policy and procedure that will allow participating state agencies to work effectively together. The SPCO will provide the management and administration for the GPO, and will perform land management and engineering technical work in the office. The office is proposing to hire at the end of FY 01: a deputy SPC, an Administration Manager, a System Administrator, and a Records Manager for the GPO. He stressed that staff recruitment will be difficult, and he proposes to secure assistance during FY 2001 to allow them to recruit effectively during FY 2002.

Substantive work would occur during FY 2001. That work includes:

- inventorying existing information
- creating consolidated plans to fill information gaps
- Creating a consolidated plan to collect information in the summer of 2001
- working with federal and Canadian agencies to create compatible processes
- working with project proponents to assure that applications are complete
- engaging and informing the public

Mr. Britt clarified that the office would be located in Anchorage. Travel would allow interaction with Canadian and federal agencies. The goal would be to establish a memorandum of understanding between the federal government, Canadian government and state agencies so that requirements would be compatible.

Representative Croft questioned if the SPCO would inventory existing information on the highway route. Mr. Britt explained that they do not have up to date information on the Alaska Natural Gas Transportation System (ANGTS) highway route. He noted that work with Yukon Pacific files continues on an on-going basis and no additional funding is needed for review of that data.

BILL VAN DYKE, LEASE ADMINISTRATION/ROYALTY, DIVISION OF OIL AND GAS, DEPARTMENT OF NATURAL RESOURCES testified via teleconference. He noted that the goal is to get information in hand by year-end in anticipation of a gas pipeline application. The Division would perform a variety of studies on gas supply and in state gas demand: ANS Gas Pipeline Study and Gas Pipeline Supply Side Study and In-state Natural Gas Demand and ANS Gas Sales (Reservoir Studies).

KEN FREEMAN, SPECIAL ASSISTANCE, BUSINESS AND GAS LINE DEVELOPMENT, OFFICE OF THE GOVERNOR provided information. He noted that the Governor assigned him as staff for the Highway Natural Gas Policy Council. The Council would look at maximizing the benefits of the gas pipeline project and seek public input. The budgetary items include staff support, travel and expenses for council members and contingency contract funds, which would pay for experts.

Representative Hudson questioned if the effort should be centered in one office in Anchorage. Ms. McConnell clarified that positions would be collocated on July 1, 2001.

JAN LEVY, SUPERVISING ATTORNEY, JUNEAU OIL GAS AND MINING SECTION, DEPARTMENT OF LAW discussed the request by the Department of Law. The department's request is for \$203.7 thousand dollars to incorporate additional in-house and out-house attorney time. The intent is to prevent future challenges.

LARRY PERSILY, DEPUTY COMMISSIONER, DEPARTMENT OF REVENUE observed that the department is asking for \$75 thousand dollars to allow them to do a good job collecting taxes. He noted that the state has never dealt with a gas project of this size.

Representative Croft MOVED to adopt Amendment #1:

Page 3, Line 22, insert a new section to read,

"DEPARTMENT OF ADMINISTRATION. The sum of \$195,000 is appropriated from the general fund to the Department of Administration, division of Alaska longevity programs, pioneers homes, for increased costs for nurses for the fiscal year ending June 30,2001"

There being no OBJECTION, it was so ordered.

Co-Chair Mulder MOVED to ADOPT Amendment 2:

DEPARTMENT OF NATURAL RESOURCES The sum of \$600,000 is appropriated from the general fund to the Department of Natural Resources, state pipeline coordinator's office, for gas pipeline development and related activities.

There being NO OBJECTION, it was so ordered.

Representative Hudson MOVED to ADOPT Amendment 3:

The sum of \$31,500 is appropriated from the general fund to the Department of Revenue, administrative services division, for emergency replacement of a

computer room air conditioner for the fiscal year ending June 30, 2001.

Co-Chair Mulder suggested that the Department of Revenue provide justification of overtime before presenting the request to the other body.

There being NO OBJECTION, Amendment 3 was adopted.

Representative Foster MOVED to ADOPT proposed committee substitute, work draft #22-GH1085|C. There being NO OBJECTION, it was so ordered.

Representative Foster MOVED to report CSHB 117 (FIN) out of Committee. There being NO OBJECTION, it was so ordered.

CSHB 117 (FIN) was REPORTED out of Committee with a "do pass" recommendation.

#

ADJOURNMENT

The meeting was adjourned at 5:00 p.m.