

MINUTES
SENATE FINANCE COMMITTEE
March 12, 2001
10:21 AM

TAPES

SFC-01 # 35, Side A
SFC 01 # 35, Side B

CALL TO ORDER

Co-Chair Dave Donley convened the meeting at approximately 10:21 AM.

PRESENT

Senator Dave Donley, Co-Chair
Senator Pete Kelly, Co-Chair
Senator Jerry Ward, Vice Chair
Senator Loren Leman
Senator Lyda Green
Senator Gary Wilken
Senator Alan Austerman
Senator Lyman Hoffman
Senator Donald Olson

Also Attending: BILL CHURCH, staff to Co-Chair Donley; ANNALEE MCCONNELL, Director, Office of Management and Budget, Office of the Governor; CAM TOOHEY, Executive Director, Arctic Power; LARRY PERSILY, Deputy Commissioner, Department of Revenue; DAN SPENCER, Director, Division of Administrative Services, Department of Administration; NANCY SLAGLE, Director, Division of Administrative Services, Department of Transportation and Public Facilities

Attending via Teleconference: From Anchorage: MILTON WILTZ, Director, Division of Geological and Geophysical Surveys, Department of Natural Resources; HAROLD HIENZ, 30-year Alaskan resident, testified via teleconference from Anchorage; JOHN DOYLE, Northern Forum; KEN FREEMAN, Special Assistant, Gasline and Business Development, Office of the Governor; From Kenai: PAUL SHADURA

SUMMARY INFORMATION

HB 117-SUPPLEMENTAL APPROPRIATIONS: FAST TRACK

The Committee took public testimony and also heard from the Office of Management and Budget, the Department of Administration, the Department of Revenue and the Department of Transportation and Public Facilities. A committee substitute was adopted, six amendments were considered and three were adopted. The bill was held in Committee.

#HB117

CS FOR HOUSE BILL NO. 117(FIN) am
"An Act making supplemental and other appropriations; and providing for an effective date."

Co-Chair Donley announced that public testimony would be taken at this time. Afterwards, he stated that the Committee would recess with the intent of working on a committee substitute.

MILTON WILTSE, Director, Division of Geological and Geophysical Surveys, Department of Natural Resources, testified via teleconference from Fairbanks in support of the department's supplemental request for the purpose of obtaining and analyzing engineering geological information along the proposed natural gas pipeline corridor. He stated the need to also conduct a preliminary inventory of construction materials to prepare for the gas line project. He pointed out the Department of Transportation and Public Facilities has experienced problems during construction phases because of shortages in construction materials. He shared that the Department of Natural Resources is assisting the Department of Transportation and Public Facilities in assembling construction materials, which would save money with contracting costs.

Mr. Wiltse continued that although much of the construction would occur during the next fiscal year, funds were needed this fiscal year to begin the hiring process.

HAROLD HIENZ, 30-year Alaskan resident, testified via teleconference from Anchorage, to share his observation regarding funding for natural gas pipeline related activities. He told the Committee that he has worked for both the oil industry and for the State of Alaska and that he currently provides consulting services for resource development and management development. His concern was not with the amount of money involved, but rather the conditions under which it is spent. He asserted that during the recent discussions on North Slope gas development, the employment issue was being overlooked by both the political system and the industry. While he had heard "rhetoric" on the issue of Alaskan

individuals and contractors employment, he stressed that the Administration and the industry has missed the opportunity to hire qualified Alaskans. He opined that this lack of demonstration by the political system and the corporations would impact public support in the long-term. He asserted that the public mistrusts the state and the industry and would not support such efforts unless convinced of the employment benefits to Alaskans. He suggested that the legislature convey that the money be spent in Alaska with Alaskans and Alaskan contractors. He added that Arctic Power must demonstrate how the Alaskan workforce would benefit from the pipeline.

JOHN DOYLE, Northern Forum, testified via teleconference from Anchorage to describe the organization he represented. He shared that the funding for the forum comes from its members, half of which are Russian. He spoke of the difficulties with the Russian participants to secure funding for their portion of the contribution due in part to the reduction in State of Alaska funding. He requested reinstatement of the state funding.

Senator Leman asked if the witness had assurance that the other members of the forum would pay their dues. He stated that he had heard threats of others withholding payment.

Mr. Doyle expected all participants would pay their dues and told of upcoming meetings where the issue would be discussed. He noted that all members have paid dues regularly until this year.

Senator Wilken requested Mr. Heinze provide examples of the points he had raised in his testimony regarding the missed opportunities to hire Alaskans.

Mr. Heinze stated he had an example from November 2000 regarding the Alaska Oil and Gas Conservation Commission (AOGCC), the details of which he would share.

PAUL SHADURA testified via teleconference from Kenai regarding the Department of Fish and Game reappropriation of funds from the Kenai River Management Plan to the Board of Fisheries. He stressed upon the high costs to those who would wish to participate in the upcoming Board meeting given the short notice. He emphasized the merits of the Kenai River study. He referred to the Kenai-Soldotna Fish and Game Advisory Committee resolution he had submitted [copy on file.]

Co-Chair Donley recessed the meeting to the call of the chair, which he anticipated to be at 1:00 pm

AT EASE 10:40 AM / 1:25 PM

Co-Chair Donley drew the members' attention to a proposed committee substitute, Version "T". He detailed the changes as follows.

Section 1 - reduces the appropriation to the Department of Administration from \$195,000 to \$100,000 adds the flexibility of using the appropriation for nurses assistants as well as nurses

Section 2 - changes lapse date of the grant to Arctic Power from June 30, 2006 to June 30, 2002 - also appropriates \$90,000 general funds to the Northern Forum for operating costs.

Section 4 - new section, adds \$26,000 general funds to the Department of Environmental Conservation, for temporary personnel to provide services to the State Pipeline Coordinator's Office.

Section 5 (b) and (c) - previously addressed a reappropriation of prior Kenai Area Plan funds to the Alaska Board of Fisheries. Version "T" eliminates the reappropriation and replaces the appropriation with general funds.

Section 5 (d) - new subsection appropriates \$23,900 general funds to the Department of Fish and Game, for temporary personnel to provide services for the State Pipeline Coordinator's Office.

Section 6 - deleted the \$14,300 general fund appropriation to the Office of Governmental Coordination.

Section 7 (c) - new subsection appropriates \$325,000 general fund/mental health funds, to the Department of Health and Social Services, to support suicide prevention efforts statewide.

Section 8 (b) - new subsection appropriates \$150,000 general funds to the Department of Law for contractual legal services relating to the development and transportation of Alaska North Slope natural gas.

Section 11 (a) - new subsection appropriates \$75,000 general funds to the Department of Natural Resources for the study of a royalty in-kind Alaska North Slope gas marketing strategy and in-state natural gas demand.

Section 11 (b) - new subsection appropriates \$30,000 general funds to the Department of Natural Resources for a gas pipeline supply-side study.

Section 11 (c) - new subsection appropriates \$50,000 general funds to the Department of Natural Resources for a North Slope gas sales reservoir studies.

Section 11 (d) - new subsection appropriates \$140,000 general funds to the Department of Natural Resources to fill vacant positions and purchase software for the Division of Oil and

Gas.

Section 11 (e) - new subsection appropriates \$192,000 general funds to the Department of Natural Resources for seismic data acquisition interpretation.

Section 12 (f) - new subsection appropriates \$293,600 general funds to the Department of Natural Resources for personnel, contractual services and equipment to the State Pipeline Coordinator's Office.

Section 12 (a) - reduces and replaces the appropriation to the Department of Revenue, Tax Division from general funds to \$400,000 statutory designated program receipts.

Section 12 (c) - new subsection appropriates \$25,000 general funds to the Department of Revenue, for a contractual study of the state's fiscal regime for development of North Slope natural gas.

Co-Chair Donley pointed out that the total appropriation for natural gas development purposes is \$1,025,500.

Co-Chair Kelly moved for adoption of SCS CS HB 117, 22-GH1085\T, 3/12/01 as a working draft.

Without objection, the committee substitute was ADOPTED as a work draft.

Co-Chair Kelly asked the total appropriation in this fast track for oil and gas permitting and preparation for any pipeline related activities.

BILL CHURCH, staff to Co-Chair Donley, stated that the governor's original fast track request was \$1,960,000 for oil and gas development. He continued that the House of Representative's fast track appropriated "a blanket" \$600,000. The amount proposed in the committee substitute, he shared, totals \$693,500, of which, \$330,000 is for various studies to lay the foundation for future review of the pipeline efforts.

Co-Chair Donley explained that this version takes the amount granted in the House of Representatives' fast track version and appropriates the funds for the specific studies proposed in the governor's request. He pointed out that additional funds are appropriated to "beef up" the Division of Oil and Gas in the State Pipeline Coordinator's Office.

Co-Chair Kelly asked if the amount reduced from the original request was mostly for duplicated agency activities.

Mr. Church replied that there was a question of whether some of the

functions were immediate. He spoke of updated information received by the Office of Management and Budget relating to the amounts appropriated by the House of Representatives. As a result, he stated, the committee substitute is able to take a more detailed approach.

Senator Hoffman requested feedback from the Office of Management and Budget on the proposed changes in the committee substitute.

ANNALEE MCCONNELL, Director, Office of Management and Budget, Office of the Governor, clarified that the updated information Mr. Church referred to is not a revised request but rather an indication of how the lower amount of funds would be utilized if that was all appropriated. She pointed out that a number of requested components were not included and that the committee substitute allows little flexibility. For example, she said, it could be found that a particular study would cost more than the appropriated amount to complete, while another could be done with less than the allocated funds. She understood the Committee's interest in stipulating where the funds are spent, but surmised that the Administration needs flexibility to make changes where necessary.

CAM TOOHEY, Executive Director, Arctic Power, supported the lapse date change in Section 1 of the committee substitute. He also supported the proposed Amendment #1 [description to follow], which allocates \$100,000 to the City of Kaktovik. He spoke of the efforts and the strain on the community caused by film crews and others traveling through the city to visit the Arctic National Wildlife Reserve (ANWR). He also supported the proposed Amendment #4 [description to follow] explaining that activities were occurring in certain congressional areas across the country to provide education about oil exploration and development in ANWR.

Senator Wilken understood the constraints on Arctic Power regarding sharing its strategy for spending the appropriated \$1.5 million, but requested some general information as to how the group would expend the funds.

Mr. Toohey replied that the Alaska Congressional Delegation, along with Arctic Power and the governor's office, have devised a plan for using \$4 million for education related to the opening of ANWR. He pointed out that the approximately \$2 million in public funds would be matched with private funds.

Mr. Toohey detailed the situation in the US Congress where the majority of both houses support opening the coastal plain of ANWR; pointing out that legislation has been introduced in both bodies

and would advance quickly. He noted that for the first time in eight years, the federal administration is in support of this endeavor. He added that efforts would be made to maintain and strengthen the congressional support, which he stressed requires a "tremendous amount of effort." He explained that the environmental community has identified vulnerable congressional districts to try to sway. As a response, he emphasized the need to continue to provide education, staff and media pressure. He noted that in any given day, the media reports on the environmental aspects of ANWAR, which he said gives opportunity for rebuttal. These opportunities, he stressed, should not be missed.

Mr. Toohey relayed that Washington DC "has got a whole new energy level for ANWAR than we've seen in a long time." He attributed this to the issue's attention during the presidential campaign.

Senator Wilken requested educating the general public about the technological advances in exploration and development.

Mr. Toohey responded that advancing technology, and the ability to protect the environment and wildlife, is included in the education efforts.

Senator Leman referred to three or four national commentators speaking on the ANWR issue "which they know nothing about". He surmised that this is a result of the information they have received for many years. He asked if Arctic Power was making efforts to clarify the facts, so the forums could discuss the facts rather than the misconceptions.

Mr. Toohey stated that the first priority of the group is to respond to inaccurate statements and supply correct and factual information. He admitted it would not be easy and would continue to be an issue.

Senator Leman asked how to get such commentators to "set the record straight."

Mr. Toohey replied that Arctic Power attempts to either respond with a reciprocal opinion piece, or multiple letters to the editor. He noted that the first step is to respond to the negative, and the second step involves proactive steps. Media tours to Kaktovik and the Refuge, he stated are a large part of the proactive efforts.

Senator Hoffman noted that the \$2 million appropriation is "quite broad" but that Arctic Power would like flexibility in order to accomplish its mission.

Mr. Toohey affirmed.

Senator Ward stated that he spoke to the mayor of Kaktovik and asked about the working relationship between Arctic Power and the community. He wanted assurance that both were working "toward the same end." He requested examples of these efforts.

Mr. Toohey replied that tours of ANWR depart from Kaktovik. He also pointed out that a member of Arctic Power's Board of Directors is from Kaktovik. He stated the city has "one of the strongest voices for development in the state," would be a part of the program in Washington DC and has an active web site that provides information about the city as well. He stressed that "they are very independent, they want to do it themselves because they feel they have a good story to tell." He predicted that the allocation in Amendment #1 would assist the city's efforts considerably.

Senator Austerman appreciated this witness' presence. He noted that they had meet earlier in the day and that the questions he raised at a previous hearing were answered.

LARRY PERSILY, Deputy Commissioner, Department of Revenue, addressed his comments to Section 12 of the committee substitute, regarding the \$400,000 appropriation to the Tax Division. He noted the funding source for \$200,000 of that was changed to statutory designated program receipts. He was unclear where the program receipts would be received.

Co-Chair Donley replied, "the same place the House was intending to get the funds from."

Mr. Persily relayed that when the bill was before the House Finance Committee, the dispute involved the property tax assessment at Prudhoe Bay production facilities. The question in that instance, he stated, was whether the North Slope Borough would be required to assist the state in paying for the defense against the oil companies as to what the property is worth. He pointed out that this dispute has been settled and the funds were now requested to address the dispute over the property assessment on the Alyeska Pipeline. He stated that the communities along the pipeline route have organized to maintain that the pipeline is worth significantly more than the state assessment. As a result, he opined, the communities would be unwilling to share in the state's defense because it is not in their best interest. He said that the department would therefore prefer general funds.

Senator Hoffman spoke to correspondence he received dated February 27, 2001, saying the difference in the appraisals could be "in the

billions of dollars." He continued that each billion-dollar reduction in the assessment represents approximately \$20 million in annual tax revenue to the state.

Mr. Persily affirmed and noted that every one billion dollars in property assessment at the 20-mil rate, is worth \$20 million. He remarked that the cities located along the pipeline corridor receive the difference between the state's collection and the 20-mil rate cap. This he explained, is the reason the cities want a higher tax assessment.

Senator Hoffman suggested that "nickel and diming" the funding for this tax assessment process did not make sense given the large amount of revenue at stake.

Senator Austerman asked how many of the organized boroughs along the pipeline route were under the 20-mil cap.

Mr. Persily responded that all were included and said he would provide specific information about the tax rates for each borough. He noted that in the case of the Prudhoe Bay facility, the state was arguing that the facility was worth more than the challenge. In this case, he stated, the state's argument is that the pipeline is worth less than the challenge, but more than the producers claim.

Senator Wilken clarified the dispute addressed in the original supplemental budget request has been settled. He requested a copy of the settlement. He then asked about the dispute before the Committee at the current date.

Mr. Persily responded that the assessment of the Prudhoe Bay facility was for the replacement cost and that the argument was made that a replacement facility would be worth less than the existing facility.

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Mr. Persily continued that the pipeline dispute involves "more of a legal and economic interpretation" stating that the legal advice given to the cities, predict the line is worth twice the state's assessment. He stated that the state disagrees with the cities' interpretation of the governing statutes.

Senator Wilken knew the matter was a "bone of contention" since the assessment depreciated by eight percent while the same amount of oil was pumped through the pipeline. He shared that he would meet

with representatives of the Fairbanks North Star Borough to learn their stand on the issue.

Senator Hoffman spoke to the budget request, noting the department planned four expenditures, the first being \$100,000 for the employment of expertise to evaluate the economic assumptions to respond to the challenge. He listed the second part of the request for \$200,000 to hire technical and legal expertise to address the cities' argument that "the state should have the value of the task using the exceptions found in the statutes." The third and fourth expenditures, he continued, is \$50,000 to prepare and independently verify the backup of the historical assessment, and \$50,000 for contingency purposes. He wanted to know if the department received only \$200,000, how much it could accomplish.

Mr. Persily replied that the department would continue to work on the project until the money was depleted. He said the situation would then be reanalyzed and the department would return to the legislature to argue the case for additional funds.

Senator Leman referred to the witness' testimony that the communities would not desire the state to win. He countered that it actually would be in the municipalities' interest for the state's defense to be solid since the state assessment is higher than the producer's.

Mr. Persily supposed that could be true. However, he did not think that city council members would approve of giving the state money with a condition that it only be used to defend the state's case against the producers but not to defend against the municipalities' challenge. He surmised that by winning their challenge, the municipalities would earn more revenue at the state's expense.

DAN SPENCER, Director, Division of Administrative Services, Department of Administration testified to Section 1 of the committee substitute that appropriates \$100,000 to the department for the increased cost of salaries for nurses. He noted that the governor's request was \$198,000 and that the House of Representatives reduced it to \$195,000. He stated that the House appropriation was based on the assumption that all the nursing positions would be filled. However, he noted that this did not account for the overtime accrued by the existing nurses. He stressed that these overtime costs exceed the total cost of all the positions if the vacant positions were filled. He explained that to compensate for the five vacant positions, existing nurses were paid overtime to cover all shifts. He was unsure if the intent was for the department to use the fast track funds over the next two months and then request the remainder of the funds during deliberations on

the regular supplemental.

Mr. Spencer addressed the addition of nursing assistants to the appropriation noting that nursing assistants could not provide all of the necessary services, such as administering medication. He pointed out that the salary increase does not apply to the certified nursing assistant positions.

Ms. McConnell spoke to the funding requests included in the committee substitute for the specific studies, stating that they are similar to those planned by the Administration as part of the Gas Pipeline Policy Council. She noted that the dates listed in the committee substitute for the Department of Law and the Department of Revenue that include both FY 01 and FY 02 were not included in the timeframe for the Department of Revenue studies. She suggested an extended lapse date to ensure conformance with accounting.

Co-Chair Donley stated that if the funds were obligated they would not lapse.

Ms. McConnell corrected that if the completion of a study is expected to be June 30 and there is actually a delay, the Division of Legislative Audit does not penalize and treats the situation as an unexpected delay. However, she pointed out that the fast track supplemental is delayed and that the subsequent appropriation would be received later, thus affecting when the studies could begin. She stressed that a later completion date is therefore known before the projects begin. She saw the extended lapse date as a technical adjustment.

Ms. McConnell next spoke to the elimination of travel funds from the Department of Fish and Game for efforts in the field relating to the gas pipeline preparation. She assumed that the intent was for the department to obtain those funds elsewhere in its budget. She stressed that the State Pipeline Office does not have general funds that could be redirected. She suggested the Committee reinstate the requested \$21,000 general funds for the travel costs.

Co-Chair Donley asked if anything precluded the governor from using the \$900,000 contingency funds toward this effort.

Ms. McConnell responded that the intent is not to use contingency funds for normal activities. She compared this to the legislature using its contingency funds to cover normal travel costs. She surmised, "It is only fair to say that if it's going to cost something to get state pipeline folks out to do their work, we should be up front and say it's going to cost something to have them travel."

Co-Chair Donley restated his question to ask if the use of contingency fund was allowable for this purpose.

Ms. McConnell replied that it is no more limited than the legislature's use of its contingency fund.

Senator Wilken noted that the Alaska Highway Natural Gas Policy Council held its organizational meeting the prior week. He wanted to know how the legislature would be kept abreast of the Council's efforts, particularly with the eight identified areas of focus.

KEN FREEMAN, Special Assistant, Gasline and Business Development, Office of the Governor, testified via teleconference from Anchorage that the Council was divided into six subcommittees, and that he would share the committee structure. He assured that he would be available to answer any questions regarding the Council's progress. He added that public notices of upcoming meetings would be sent to each member of the legislature and that legislators could listen to the meetings via teleconference.

Ms. McConnell added that a method to provide periodic updates on the Council's activities would be instituted.

Senator Wilken requested that he be kept informed of what the Council is working on and especially its intended outcome. He commented that he is skeptical of "this whole effort."

Ms. McConnell opined that it is in the state's benefit that the legislature, "be very familiar with the work that that group is undertaking." She pointed out that the Council has outlined a series of critical issues, some of which are shared by the Committee. She noted that the multiple studies would provide information essential to the Council's progress.

Senator Hoffman asked the intent of the chair with regard to allowing members to consider and offer amendments to the committee substitute that was distributed just prior to the meeting's start. He asked if the chair intended the bill to move from the Committee at this hearing, or if the Minority would have 24 hours to review the changes.

Co-Chair Donley stated that the Committee would consider the amendments before it and then decide whether to hold or report out the bill. He noted that the bill is scheduled for a future meeting and could be brought up again at that time.

AMENDMENT #1: This amendment increases the appropriation to the

Department of Community and Economic Development in Section 2, from \$1,500,000 to \$1,600,000 and adds a new subsection to read.

(c) \$100,000 of the money described in (a) of this section is for the local participation of the City of Kaktovik in support of the education efforts of Arctic Power.

Senator Olson moved for adoption.

Without objection or discussion, the amendment was ADOPTED.

Amendment #2: This amendment makes the following changes to Section 4. DEPARTMENT OF FISH AND GAME of CS HB 117 (FIN) am.

Page 2, lines 6-18:

Delete:

(b) The unexpended and unobligated balance of the appropriation made by sec. 131, ch. 139, SLA 1998, page 48, lines 24 - 30 (Kenai River Area Plan studies - \$120,000), not to exceed \$20,000, is reappropriated to the Department of Fish and Game for the expenses of Board of Fisheries meetings regarding halibut subsistence regulations for the fiscal year ending June 30, 2001.

(c) The unexpended and unobligated balance of the appropriation made by sec. 131, ch. 139, SLA 1998, page 48, lines 24 - 30 (Kenai River Area Plan studies - \$120,000), not to exceed \$35,000, is reappropriated to the Department of Fish and Game for the expenses of Cook Inlet/Northern Gulf of Alaska local area fisheries management planning for the fiscal year ending June 30, 2001.

(d) If the amount available for reappropriation under (b) and (c) of this section is less than \$55,000 then the amounts appropriated in (b) and (c) of this section shall each be reduced in direct proportion to the amount of the shortfall.

Insert:

(b) The sum of \$20,000 is appropriated from the general fund to the Department of Fish and Game for the expenses of the Board of Fisheries meetings regarding halibut subsistence regulations for the fiscal year ending June 30, 2001.

(c) The sum of \$35,000 is appropriated from the general fund to the Department of Fish and Game for the expenses of Cook Inlet/Northern Gulf of Alaska local area fisheries management planning for the fiscal year ending June 30, 2001.

Senator Ward stated that he would NOT OFFER this amendment because the changes were incorporated into the committee substitute, version "T".

Amendment #3: This amendment adds a new subsection to Section 13. DEPARTMENT OF TRANSPORTATION AND PUBLIC FACILITIES, of CS HB 117 (FIN) am [Section 14 of the committee substitute, version "T"] as follows.

(5) the sum of \$400,000 from the general fund to implement the consent decree in Trustees for Alaska versus Hickel (Copper River Highway case)(Case No. A92-245 CIV (JKS)(Consolidated)).

Senator Hoffman moved for adoption.

Co-Chair Kelly objected for the purpose of discussion.

Senator Hoffman explained that this amendment funds the fourth stage of a court-ordered decree. He referred to accompanying documents that warn that if the decree were not honored, the state would incur additional expense. [Copy on file.] He requested a representative of the Department of Transportation and Public Facilities detail the consequences of not funding this item.

NANCY SLAGLE, Director, Division of Administrative Services, Department of Transportation and Public Facilities, testified that the department has complied with the other three sections of the consent decree. She stated that the decree imposes a deadline for the completion of environmental projects and that an earlier effort to do so failed, bringing the issue back to the forefront. She shared that the intent is to the environmental projects as soon as possible to prevent further delays on other projects in the area.

Senator Hoffman asked about the additional penalties and interest charges if the decree is not complied with.

Ms. Slagle was unsure about the cost of penalties, but warned that the issue could return to court and delay other road and bridge projects.

Senator Ward asked for the names of the projects that would be compromised if this item were not funded.

Ms. Slagle listed a project on the road to the Million Dollar Bridge, and a project on the bridge itself as two of the several projects that would be delayed.

Senator Leman noted the consent decree requirement to spend a specified amount of money. He understood the objective to spend money, but if it is to "accomplish some good," he suggested that

the department look at other successful models such as one in Mat-Su where young people participated in the work. He elaborated on the Youth Corps project that taught young people skills using state supervision. He did not know if this would be inconsistent with the consent decree, but predicted that it would not be.

Ms. Slagle read from the consent decree, "the state shall perform one or more environmental projects at a total cost of not less than \$400,000 in accordance with paragraph 16 below and in accordance with the environmental projects plan." She noted that the environmental projects plan was attached to the amendment, labeled "Attachment B". [Copy on file.] She relayed that extensive negotiations resulted in an agreement with the US Army Corps of Engineers in the fall of 2000 as to which projects were acceptable. She added that descriptions of the projects were also included with the amendment. [Copy on file.]

Senator Leman thought all the proposed projects were appropriate but thought that if savings could be realized then additional projects could be undertaken. He suggested "thinking outside the box."

Senator Hoffman asked why this item was requested in the fast track supplemental budget.

Ms. Slagle explained this was holding up other projects and that the department did not want to miss an additional construction season and delay the projects another year.

A roll call was taken on the motion.

IN FAVOR: Senator Hoffman, Senator Olson

OPPOSED: Senator Ward, Senator Wilken, Senator Austerman, Senator Green, Senator Leman, Co-Chair Kelly and Co-Chair Donley

The motion FAILED (2-6-1)

The amendment FAILED to be adopted.

Amendment #4: This amendment inserts a new subsection in Section 3. DEPARTMENT OF COMMUNITY AND ECONOMIC DEVELOPMENT, on page 2, following line 2 of the committee substitute, version "T" as follows.

(c) The sum of \$250,000 is appropriated from the general fund to the Department of Community and Economic Development for the fiscal years ending June 30, 2001 and June 30, 2002,

for payment as a grant under AS 37.05.316 to Arctic Power for educational media efforts for targeted Congressional districts to open the coastal plain of the Arctic National Wildlife Refuge for oil and gas exploration and development.

Co-Chair Kelly moved for adoption.

Co-Chair Donley spoke to the amendment he sponsored by relaying information he gleaned from the US Congressional delegation during the previous week. He stated that each of them, Representative Don Young in particular, expressed support for an additional appropriation to address media education efforts targeted toward certain congressional districts. Co-Chair Donley stressed that Representative Young has a "challenging job ahead of him" educating hundreds of colleges about ANWR, and that this effort would be helpful.

There was no objection and the amendment was ADOPTED.

Amendment #5: This amendment replaces subsection (a) of Section 12. DEPARTMENT OF REVENUE. in the committee substitute as follows.

Page 4, line 16:

Delete:

(a) The sum of \$400,000 is appropriated from statutory designated program receipts to the Department of Revenue, tax division, for a tax assessment challenge for the fiscal years ending June 30, 2001, and June 30, 2002.

Insert:

(a) The sum of \$400,000 is appropriated to the Department of Revenue, tax division for a tax assessment challenge for the fiscal years ending June 30, 2001, and June 30, 2002, from the following sources in the amounts set out:

FUNDING SOURCE	AMOUNT
General fund	\$200,000
Statutory designated program receipts	200,000

Co-Chair Kelly moved for adoption.

Co-Chair Donley explained that this amendment he sponsored deals with the issue mentioned earlier in the hearing by the Department of Revenue. He expressed that the amendment provides "a reasonable step", and noted that the funding source could be further adjusted if necessary, after continued discussions with the department.

Senator Olson asked if the statutory designated receipts would come from those boroughs located along the Alyeska Pipeline route.

Co-Chair Donley granted that the appropriation request had "evolved" from an original fifty-fifty funding source. He said this entailed the state and the local government each providing half of the cost of defending the assessment. He stated that the intent is to maintain the fifty-fifty split. However, he noted that the purpose of the appropriation had changed and that the matter would need to be investigated further. He suggested the Committee incorporate the amendments passed at this hearing into a new committee substitute to review at the future meeting.

Without objection the amendment was ADOPTED.

Senator Wilken referred to Mr. Heinze's earlier testimony and the information he provided. [Copy on file.]

AT EASE 2:29 PM / 2:29 PM

Co-Chair Donley suggested the Committee could incorporate intent language into the legislation or offer a letter of intent when the bill was before the entire Senate body, to reflect the points raised by Mr. Heinze.

Senator Wilken cited Mr. Heinze's written testimony, "I would ask that the Senate consider adding policy direction language to the Section 10 appropriation. As I mentioned, a requirement to report back to the legislature on any non-Alaskan spending may be the clearest communication tool to the Knowles administration appointees and the bureaucracy. Setting a clear example of accountability for industry would be a major help to assuring that the benefits of North Slope gas development are Alaskanized."

Senator Wilken opined that "this committee, this legislature and this governor" should ensure that Arctic Power understands "we expect qualified Alaskans to be first in line to do that job." He stressed that every opportunity to reaffirm this intent should be realized. He announced that he would prepare intent language for the bill to address this.

Co-Chair Donley pointed out that Mr. Heinze expressed his belief that the governor failed to enforce "his merger agreement" in utilizing Alaskan contractors in the construction of the gas to liquids pilot plant in Kenai.

Amendment #6: This amendment inserts, "The department shall provide the study to the legislature." following the provisions related to

three studies from the Department of Natural Resources and one by the Department of Revenue in Section 11 and Section 12 of the committee substitute.

Co-Chair Donley explained that this amendment addresses earlier concerns raised about legislative access to the studies' results.

Co-Chair Kelly moved for adoption.

The amendment was ADOPTED without objection.

Co-Chair Donley announced that the adopted amendments would be incorporated into a new committee substitute and presented to the Committee once again. He ordered the bill HELD in Committee.

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ADJOURNMENT

Co-Chair Dave Donley adjourned the meeting at 02:32 PM