

CS FOR SENATE BILL NO. 171(FIN)(efd fld)

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-FOURTH LEGISLATURE - SECOND SESSION

BY THE SENATE FINANCE COMMITTEE

Amended: 2/15/06

Offered: 2/3/06

Sponsor(s): SENATOR WILKEN

A BILL

FOR AN ACT ENTITLED

1 **"An Act amending the National Petroleum Reserve - Alaska special revenue fund; and**
2 **establishing the Special Legislative Oil and Gas NPR-A Development Impact Review**
3 **Committee and defining its powers and duties."**

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

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

7 LEGISLATIVE INTENT. It is the intent of the legislature to provide financial
8 assistance to municipalities for the purpose of meeting certain operating and capital
9 improvement expenditures arising out of oil and gas development under 42 U.S.C. 6506a,
10 formerly 42 U.S.C. 6508.

11 * **Sec. 2.** AS 24.20 is amended by adding a new section to read:

12 **Article 4A. Special Legislative Oil and Gas NPR-A Development Impact Review**
13 **Committee.**

14 **Sec. 24.20.580. Special Legislative Oil and Gas NPR-A Development**

1 **Impact Review Committee.** (a) There is established the Special Legislative Oil and
 2 Gas NPR-A Development Impact Review Committee. The committee is composed of
 3 three members of the senate appointed by the president of the senate and three
 4 members of the house of representatives appointed by the speaker of the house of
 5 representatives. The committee membership from each house shall include at least one
 6 member from the minority caucus of that house. The committee members must
 7 include one member of the house of representatives or senate from an election district
 8 that includes part or all of the National Petroleum Reserve - Alaska. Except when it
 9 may be necessary to appoint a member of the legislature under (2) of this subsection to
 10 serve on the committee and the member is not also a member of a finance committee,
 11 the committee members may be appointed only from the finance committee of each
 12 house. If a member of the house of representatives or senate from an election district
 13 that includes part or all of the National Petroleum Reserve - Alaska

14 (1) is appointed to serve on the appropriate finance committee, the
 15 member serving on the finance committee also serves on the committee established in
 16 this subsection; however, under this paragraph, not more than one member
 17 representing an election district that includes part or all of the National Petroleum
 18 Reserve - Alaska may serve on the committee and, if designation of the one member is
 19 necessary, the speaker of the house of representatives and the president of the senate
 20 shall jointly designate the one member to serve;

21 (2) is not serving on the committee under (1) of this subsection, the
 22 speaker of the house of representatives and the president of the senate shall jointly
 23 appoint one member of the legislature who represents an election district that includes
 24 part or all of the National Petroleum Reserve - Alaska to serve on the committee.

25 (b) The committee shall be organized within 15 days after the organization of
 26 each legislature. The committee shall select its own chair. Members serve for the
 27 duration of the legislature during which they are appointed. If a committee member is
 28 reelected or the member's term of office extends into the next succeeding legislature,
 29 the member continues to serve until reappointed or until the member's successor is
 30 appointed.

31 (c) The committee may meet during sessions of the legislature and during the

1 interim between sessions at times and places in the state as the committee chair may
2 determine.

3 (d) Members of the committee may receive, for the minimum time required to
4 get to and from meetings and for the period while attending meetings, the same travel
5 and per diem allowances provided by law for members of the legislature when
6 attending sessions. However, members of the committee do not receive per diem for
7 committee meetings during legislative sessions other than the per diem paid to
8 members of the legislature.

9 (e) A majority of the members of the committee appointed from each house

10 (1) constitutes a quorum for the purpose of carrying out the
11 committee's duties under this section; and

12 (2) is necessary to approve and forward to the respective finance
13 committees in each house the committee's recommendations for grants.

14 (f) Each member of the committee shall visit each community within the
15 National Petroleum Reserve - Alaska

16 (1) within one year after the member's appointment to the committee;
17 and

18 (2) at least once every three years during the member's term of service
19 if the member continues to serve on the committee during succeeding legislatures.

20 (g) The committee may consult with the Department of Commerce,
21 Community, and Economic Development about applications submitted under
22 AS 37.05.530.

23 * **Sec. 3.** AS 37.05.530(a) is amended to read:

24 (a) The National Petroleum Reserve - Alaska special revenue fund is
25 established. The fund consists of all money disbursed to the state by the federal
26 government under 42 U.S.C. 6506a(I) and former 42 U.S.C. 6508 (P.L. 96-514) since
27 December 12, 1980, less the amount deposited in the general fund and expended by
28 the state by general fund appropriations before June 9, 1984.

29 * **Sec. 4.** AS 37.05.530(c) is repealed and reenacted to read to read:

30 (c) The Department of Commerce, Community, and Economic Development
31 shall adopt regulations under which municipalities that are most directly and severely

1 impacted by National Petroleum Reserve - Alaska oil and gas development under 42
 2 U.S.C. 6506a, formerly 42 U.S.C. 6508, may apply for and be eligible to receive
 3 grants from the fund established in this section to alleviate the impact. A grant under
 4 this section may be made only on application by the municipality to the Department of
 5 Commerce, Community, and Economic Development. Each application must state the
 6 intended use for which the grant will be expended. When a municipality applies under
 7 this subsection, the municipality shall also submit to the department evidence or a
 8 certificate that the municipality is current on submission of reports concerning the
 9 expenditure of any grant previously received under this section. The department

10 (1) shall receive the applications and related materials and verify that
 11 the municipality is current on submission of reports concerning the expenditure of any
 12 grant previously received under this section;

13 (2) shall conduct a preliminary evaluation of each application; in
 14 conducting the preliminary evaluation, the department shall determine if the
 15 application is for an activity, facility, or service that involves planning; construction,
 16 maintenance, and operation of essential public facilities by the municipality; and
 17 necessary public services provided by the municipality;

18 (3) within 10 days after the convening of each regular session of the
 19 legislature, shall submit to the committee a list of

20 (A) all qualifying activities, facilities, or services based on the
 21 department's preliminary evaluation made under (2) of this subsection; and

22 (B) all municipalities that have already received grants and
 23 written justification for each previous grant; and

24 (4) when advised of the committee's recommendations for grants, shall
 25 notify municipalities of that action.

26 * **Sec. 5.** AS 37.05.530(d) is repealed and reenacted to read:

27 (d) In its review of applications submitted under (c) of this section, the
 28 committee shall, within 45 days after receipt of the information submitted by the
 29 department under (c)(3) of this section,

30 (1) examine applications and related and supporting materials to verify
 31 the needs claimed for each facility or service for which an application was submitted;

- 1 (2) evaluate the needs claimed;
- 2 (3) rank the needs that the committee believes comply with the
- 3 standards set out in 42 U.S.C. 6506a(l), formerly 42 U.S.C. 6508, and (c)(2) of this
- 4 section; and
- 5 (4) forward to the respective finance committees in each house the
- 6 committee's recommendations for grants for facilities and services under this section;
- 7 the committee shall list its recommendations by project.

8 * **Sec. 6.** AS 37.05.530(e) is repealed and reenacted to read:

- 9 (e) A municipality that receives a grant under this section shall
- 10 (1) account separately for each grant received;
- 11 (2) provide for an independent audit of the separate accounts
- 12 maintained for each grant or appropriation, except that, for a grant that is not more
- 13 than \$300,000, the municipality shall provide for an independent unaudited review of
- 14 the accounts maintained for the grant;
- 15 (3) submit a copy of the independent audit report or independent
- 16 review to the Department of Commerce, Community, and Economic Development;
- 17 and
- 18 (4) expend the funds only for the use or purpose for which the grant
- 19 was made; the Department of Commerce, Community, and Economic Development
- 20 may not otherwise modify the terms of a grant to change the purpose or objective of
- 21 the grant or the terms and conditions under which the grant may be expended.

22 * **Sec. 7.** AS 37.05.530(f) is amended to read:

- 23 (f) Funds appropriated under [(d) OF] this section may not be used for the
- 24 retirement of municipal debt.

25 * **Sec. 8.** AS 37.05.530(g) is amended to read:

- 26 (g) **The provisions of this subsection apply to amounts** [AMOUNTS]
- 27 received by the state under **42 U.S.C. 6506a(l) or former** 42 U.S.C. 6508, **as follows:**
- 28 **(1) amounts received** and not appropriated for grants to municipalities
- 29 under **(c) - (e)** [(d)] of this section shall be deposited at the end of each fiscal year as
- 30 follows:

- 31 **(A)** [(1)] 25 percent **of amounts received by the state during**

1 that fiscal year under 42 U.S.C. 6506a(l) or former 42 U.S.C. 6508 to the
2 principal of the Alaska permanent fund; and

3 (B) [(2)] .5 percent of amounts received by the state during
4 that fiscal year under 42 U.S.C. 6506a(l) or former 42 U.S.C. 6508 to the
5 public school trust fund (AS 37.14.110);

6 (2) if, after making the grants under (c) - (e) of this section, the
7 amounts remaining are insufficient to make payment in full of the deposits
8 required by (1)(A) and (B) of this subsection, the deposits shall be allocated pro
9 rata between the fund deposits;

10 (3) the [. THE] amounts remaining after the making of the payment
11 of the deposits in full to the Alaska permanent fund and the public school trust fund
12 under (2) of this subsection may be appropriated

13 (A) first, to each of the funds described in (1)(A) and (B) of
14 this subsection to recover amounts not paid to those funds on or after the
15 effective date of this Act because of deficiencies in making the payments
16 required by (2) of this subsection; and

17 (B) after appropriations authorized by (A) of this
18 paragraph, to the power cost equalization and rural electric capitalization fund
19 (AS 42.45.100);

20 (4) the [. THE] amounts remaining after any appropriation to the
21 power cost equalization and rural electric capitalization fund shall lapse into the
22 general fund for use by the state for the following facilities and services: planning;
23 construction, maintenance, and operation of essential public facilities; and other
24 necessary public services.

25 * **Sec. 9.** AS 37.05.530(h) is amended to read:

26 (h) In making appropriations from the National Petroleum Reserve -
27 Alaska special revenue fund, the legislature shall identify the grants for services
28 and facilities as appropriation items and shall specify the amounts for each.

29 Notwithstanding other provisions of law and unless expressly provided by the
30 legislature in the appropriation item making the appropriation, an appropriation from
31 the National Petroleum Reserve - Alaska special revenue fund shall, for the purposes

1 of determining the funding sources for the appropriation, be treated as though the
2 appropriation takes effect in the fiscal year in which the appropriation passes the
3 legislature. The authorization to expend funds appropriated from the fund shall take
4 effect as otherwise provided by law.

5 * **Sec. 10.** AS 37.05.530 is amended by adding new subsections to read:

6 (i) The Department of Commerce, Community, and Economic Development
7 may

8 (1) suspend award of a new grant made under this section to a
9 municipality if, in the department's judgment, the municipality has not made adequate
10 progress in complying in the expenditure or use of a previously awarded grant;

11 (2) extend the period during which the municipality may expend a
12 grant for unusual circumstances beyond the control of the municipality.

13 (j) Amounts that are unexpended at the end of the period authorized by law or,
14 if extended under (i) of this section, by the department and that lapse shall revert to the
15 general fund. However, if, at any time, there is a cumulative deficiency in amounts
16 due and payable to the principal of the Alaska permanent fund and the public school
17 trust fund because of allocation pro rata among those funds as authorized by (g)(2) of
18 this section, the commissioner of administration shall first apply the lapsing amounts
19 to restore previously prorated allocations to the Alaska permanent fund and the public
20 school trust fund to the amounts due each of those funds.

21 (k) In this section, "committee" means the Special Legislative Oil and Gas
22 NPR-A Development Impact Review Committee (AS 24.20.580).