

SENATE BILL NO. 3002

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-FOURTH LEGISLATURE - THIRD SPECIAL SESSION

BY THE SENATE RULES COMMITTEE BY REQUEST OF THE GOVERNOR

Introduced: 7/12/06

Referred: Senate Special Committee on Natural Gas Development

A BILL

FOR AN ACT ENTITLED

1 "An Act relating to the Alaska Stranded Gas Development Act; relating to municipal
2 impact money received under the terms of a stranded gas fiscal contract; relating to
3 determination of full and true value of property and required contributions for
4 education in municipalities affected by stranded gas fiscal contracts; and providing for
5 an effective date."

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

7 * **Section 1.** AS 43.82.010 is amended to read:

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

9 (1) encourage new investment to develop the state's stranded gas
10 resources by authorizing establishment of fiscal terms related to oil and gas
11 agreements and taxes related to oil and gas business activity in the state [THAT
12 NEW INVESTMENT WITHOUT SIGNIFICANTLY ALTERING TAX AND
13 ROYALTY METHODOLOGIES AND RATES ON EXISTING OIL AND GAS

1 INFRASTRUCTURE AND PRODUCTION];

2 (2) allow the fiscal terms applicable to a qualified sponsor or the
3 members of a qualified sponsor group, with respect to a qualified project, to be
4 tailored to the particular economic conditions of the project and to establish those
5 fiscal terms in advance with as much certainty as the Constitution of the State of
6 Alaska allows; and

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

9 * **Sec. 2.** AS 43.82.505 is amended to read:

10 **Sec. 43.82.505. Payments to economically affected municipalities.** If the
11 commissioner executes a contract under AS 43.82.020 that will produce one or more
12 economically affected municipalities, the commissioner shall include a term in the
13 contract that provides for [A PORTION OF THE] periodic **impact** payments to **the**
14 **state that may be appropriated to the Alaska natural gas pipeline construction**
15 **impact fund established in (c) of this section to benefit** the economically affected
16 municipalities under the principles in AS 43.82.520.

17 * **Sec. 3.** AS 43.82.505 is amended by adding new subsections to read:

18 (b) A special account is established in the general fund into which the
19 Department of Revenue shall deposit impact payments received by the state under (a)
20 of this section.

21 (c) The Alaska natural gas pipeline construction impact fund is established in
22 the Department of Commerce, Community, and Economic Development. The
23 legislature may appropriate money deposited in the special account established in (b)
24 of this section, as well as any additional money considered necessary, to the Alaska
25 natural gas pipeline construction impact fund to address the economic and social
26 impacts incurred by an economically affected municipality, or incurred by a nonprofit
27 organization serving the unorganized borough, during the construction of a project that
28 is the subject of a proposed contract developed under this chapter.

29 (d) The Department of Commerce, Community, and Economic Development
30 shall adopt regulations under which economically affected municipalities and
31 nonprofit organizations may apply for and be eligible to receive grants to alleviate

1 impact caused by construction of a gas pipeline. The department shall give priority in
2 the allocation of grants to municipalities and organizations that are experiencing or
3 will experience the most direct or severe impact from gas pipeline construction. The
4 department shall finance, under (e) of this section, all meritorious grant applications
5 each year, to the extent money is available in the Alaska natural gas pipeline
6 construction impact fund. Within 10 days after the convening of each regular session
7 of the legislature, the department shall submit to the legislature a list of all
8 municipalities and organizations that have received grants, a list of all municipalities
9 and organizations determined by the department to be eligible for further grants, a
10 recommendation of the amount of money to be granted for those additional
11 applications, and written justification of each past and potential grant.

12 (e) The commissioner of commerce, community, and economic development,
13 in consultation with the relevant municipal advisory group established under
14 AS 43.82.510, shall use money appropriated to the Alaska natural gas pipeline
15 construction impact fund to make grants to municipalities, and to nonprofit
16 organizations serving the unorganized borough, for impacts on transportation,
17 infrastructure, law enforcement, emergency services, health and human services,
18 education, the labor force, population, wages, and subsistence and for socio-cultural
19 impacts, brought about by the construction of the gas pipeline. In determining whether
20 an expenditure or proposed expenditure by a municipality or nonprofit organization is
21 eligible for a grant under this subsection and in allocating available money among
22 grant proposals, the commissioner shall consider the recommendations of the relevant
23 municipal advisory group established under AS 43.82.510 and whether the proposed
24 expenditure meets the purposes of this section.

25 (f) Before making awards of grants under this section for a fiscal year, the
26 commissioner of commerce, community, and economic development shall provide
27 reasonable public notice of all grant applications received, the recommendations of the
28 relevant municipal advisory group, preliminary determinations made concerning the
29 eligibility of each municipality or organization for a grant, the eligibility of each
30 expenditure or proposed expenditure for a grant, and the proposed allocation of
31 available money among grant proposals. The public notice must specify a time and

1 place for a public hearing during which the commissioner will receive comments
 2 concerning the preliminary determinations and allocations of the department. The
 3 commissioner shall give reasonable public notice of the final awards of grants made
 4 under this section. Thirty days after such public notice is given, final awards take
 5 effect and may be paid to the grantees according to procedures established by
 6 regulation.

7 (g) Grant money received under this section may not be used for the
 8 retirement of municipal debt.

9 (h) Amounts appropriated to the Alaska natural gas pipeline construction
 10 impact fund under (c) of this section for a fiscal year that are not used for grants to
 11 municipalities and organizations under (d) and (e) of this section shall be retained in
 12 the Alaska natural gas pipeline construction impact fund and remain available for
 13 distribution as grants under this section in succeeding fiscal years.

14 (i) Nothing in this chapter exempts money deposited into the special account
 15 in the general fund established in (b) of this section from the requirements of AS 37.07
 16 (Executive Budget Act) or dedicates that money, or money appropriated to the Alaska
 17 natural gas pipeline construction impact fund, for a specific purpose.

18 (j) In this section, "direct or severe impact" means a clearly demonstrable
 19 effect on a community that proximately contributes to a material change to
 20 transportation, infrastructure, law enforcement, emergency services, health and human
 21 services, education, the labor force, population, wages, subsistence, or for socio-
 22 cultural impacts brought about by the construction of a gas pipeline.

23 * **Sec. 4.** AS 43.82.510(c) is amended to read:

24 (c) Each municipal advisory group serves until **the later of 90 days after**
 25 **final distribution of impact payment money under AS 43.82.505, or**
 26 **commencement of operations of the qualified project. Expenses of a municipal**
 27 **advisory group are eligible for reimbursement under a grant made under**
 28 **AS 43.82.505** [A FINAL ACTION IS TAKEN ON THE APPLICATION FOR
 29 WHICH THE GROUP WAS APPOINTED].

30 * **Sec. 5.** AS 43.82 is amended by adding a new section to article 7 to read:

31 **Sec. 43.82.650. Calculations of education funding.** To determine the amount

1 of required local contribution under AS 14.17.410(b)(2) and (c) for a school district in
2 a revenue-affected municipality, and to perform its duties under AS 14.17.510, the
3 Department of Commerce, Community, and Economic Development shall adopt
4 regulations. The regulations must establish assessment standards for any property that
5 would have been assessed under AS 43.56 but is instead generating a payment to a
6 revenue-affected municipality in lieu of a municipal property tax as provided in a
7 contract developed under this chapter. The regulations must ensure that the property is
8 included in the full and true value of the city or borough school district for the purpose
9 of determining required local contributions for education funding under
10 AS 14.17.410(b)(2) and (c).

11 * **Sec. 6.** The uncodified law of the State of Alaska is amended by adding a new section to
12 read:

13 **RETROACTIVITY.** Sections 1 and 2 of this Act are retroactive to January 1, 2004.

14 * **Sec. 7.** This Act takes effect immediately under AS 01.10.070(c).