

Original sponsor: Rules Committee
by request

Offered: 5/1/79
For Today's Supplemental
Calendar

1 IN THE SENATE BY THE SPECIAL GAS PIPELINE
FINANCING COMMITTEE

2 HOUSE CS FOR CS FOR SENATE CONCURRENT RESOLUTION NO. 33

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 ELEVENTH LEGISLATURE - FIRST SESSION

5 Relating to a continued study of a
6 direct investment by the state in the
7 Alaska natural gas pipeline project.

8 BE IT RESOLVED BY THE LEGISLATURE OF THE STATE OF ALASKA:

9 WHEREAS in 1978 the legislature adopted Senate Concurrent Resolution No.
10 102 relating to a direct investment by the state in the Alaska natural gas
11 pipeline project; and

12 WHEREAS in that resolution the legislature recognized the benefits which
13 may result to the State of Alaska through timely construction of the natural
14 gas pipeline; and

15 WHEREAS that resolution established a Joint Interim Committee on Gas
16 Pipeline Financing to review and consider the merits of direct investment by
17 the State of Alaska in the pipeline project; and

18 WHEREAS the committee was directed, in consultation with the governor,
19 to determine if direct state financial participation in the pipeline project
20 appeared to be in the best interests of the state; and

21 WHEREAS, if direct participation was in the best interests of the state,
22 the committee, again in consultation with the governor, was directed to
23 propose legislation to authorize a maximum of \$500,000,000 in direct state
24 financial participation in the pipeline project; and

25 WHEREAS the committee has been organized, co-chairmen elected, and its
26 work initiated under Senate Concurrent Resolution No. 102; and

27 WHEREAS the committee submitted a written report to the legislature on
28 January 31, 1979; and

29 WHEREAS, because of delays beyond the committee's control in the develop-

1 ment of data necessary and pertinent to the scheduling of financing and
2 construction of the Alaska natural gas pipeline, it was considered irrespon-
3 sible for the committee, in consultation with the governor, to make recommen-
4 dations regarding state financial participation in the report made to the
5 legislature on January 31, 1979; and

6 WHEREAS there are several major points to be resolved, including but not
7 limited to the following: effects of gas extraction on oil production; effects
8 of an interstate gas pipeline on in-state petrochemical development; lack of
9 substantial gas sales contracts; conditioning costs; pipeline pressure and
10 size; marketability of Alaska gas; possible gas imports from Mexico; reluc-
11 tance of major producers to participate in the project; and numerous regula-
12 tory decisions which the Federal Energy Regulatory Commission must still make
13 before prudent investors will participate in equity financing; and

14 WHEREAS the legislative finance division has forecast that state general
15 fund revenues will be insufficient to support an outright cash investment of
16 \$500 million even under the most optimistic circumstances;

17 BE IT RESOLVED by the Alaska State Legislature that the Joint Interim
18 Committee on Gas Pipeline Financing is directed to consult with appropriate
19 financial and legal experts and obtain for the legislature

20 (1) a formal opinion of bond counsel on whether general obligation
21 bonds may be legally used to finance state equity participation in the natural
22 gas pipeline;

23 (2) if bond counsel determines that the use of general obligation
24 bonds would be legal for this purpose, expert financial opinion on how the
25 issuance of the bonds would affect the state's ability to finance other
26 needed capital projects;

27 (3) detailed projections of the state's general fund balances
28 using reasonable income and revenue assumptions; and

29 (4) expert financial and legal opinions on any other methods for

1 providing financial assistance to the gas pipeline project; and be it
2 FURTHER RESOLVED that the Joint Interim Committee on Gas Pipeline
3 Financing is directed to continue its efforts to develop, in consultation
4 with the governor, a report for the legislature examining the economic feasi-
5 bility of the natural gas pipeline and alternative methods by which the
6 legislature may wish to assist timely construction of the pipeline, including
7 the desirability of direct financial participation in the pipeline; and be it

8 FURTHER RESOLVED that the Joint Interim Committee on Gas Pipeline
9 Financing submit a written report, including findings and recommendations, to
10 the Second Session of the Eleventh Legislature.

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