

HB

219

(HRING Notes  
+ CLEAN copy)

THE LEGISLATURE OF THE STATE OF ALASKA  
TENTH LEGISLATURE

FISCAL NOTE

I. REQUEST  
 Bill/Resolution No. HB 219  
 Title An Act providing for permits and fees  
 Requested by \_\_\_\_\_ Date \_\_\_\_\_

II. FISCAL DETAIL  
 Agency Affected REVENUE  
 Program Category Affected ADMINISTRATION  
 Budget Request Unit(s) Affected RESEARCH, DATA PROCESSING, PETROLEUM REVENUE DIVISION

EXPENDITURES (Thousands of Dollars)

	FY 77	FY 78	FY 79	FY 80	FY 81	FY 82
100 PERSONAL SERVICES		1.0	1.0	1.05		
200 TRAVEL						
300 CONTRACTUAL						
400 COMMODITIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC.						
<b>TOTAL</b>						

FUNDING (Thousands of Dollars)

GENERAL FUND		1.0	1.0	1.05		
FEDERAL FUNDS						
OTHER (Specify)						

POSITIONS

FULL TIME		See below			
PART TIME					
TEMPORARY					

III. ANALYSIS (See Fiscal Note Preparation Instructions, Section III)

The Department of Revenue estimates that the preparation of the income tax data required for estimating purposes would require the effort of two man-days. The preparation of the oil property tax data is estimated to require one man-week. It is assumed that the estimated costs could be absorbed.

IV. DATE 3/3/77 PREPARED BY Baerbel R. Sorensen  
 AGENCY Department of Revenue  
 PHONE 465-2174  
 Original: Legislative Finance  
 cc: Budget and Management  
 Prime Sponsor (First Legislator Named)

Analysis of HB 219 as Proposed February 15, 1977

The bill proposes to establish a shore facilities construction permit system, and to charge a permit fee based on the difference between "gross impact cost" and "development revenue" to be estimated by the Department of Community and Regional Affairs.

The "gross impact costs" are determined by multiplying the per capita costs of state and local government services in the area with the maximum anticipated population increase anticipated in conjunction with the offshore development in the area. "Development revenue" is to be determined by estimating petroleum property taxes, general property taxes, estimated income tax collections, and anticipated outer continental shelf oil and gas development grants.

The bill is unclear with respect to several items:

1. It appears that the permit fee to be assessed is aimed at covering costs of governmental services which will not be funded from other sources. The bill refers to per capita state and local government cost without specifically indicating which cost items are to be included, especially state costs.
2. It is unclear whether the permit fee assessed is supposed to reflect estimated total cost for the 20-year period, or whether it is to be based on the maximum impact at one point in time. The question of the 20-year coverage occurs because of the reference to the discounting of the cash flow on the revenue side. This implies that on the revenue side, the whole period will be taken into consideration.
3. In this connection, the question occurs why the inflationary impact is to be taken into account on the revenue side while no reference to this is made on the cost side.
4. If the permit to be assessed is to reflect the otherwise unfunded portion of state and local costs, all state and local revenue sources applicable should be incorporated. This would include a local sales tax, if applicable, school taxes, all excise taxes, license fees and other revenue sources, especially at the state level. However, most of these revenues, as well as some of the expenditure items, cannot yet be traced to specific localities. Because of this, the concept incorporated in the bill appears to be unworkable, at least in its present form.

219 - fees -

equal to gross impact costs

line 14 - what go they mean by land development -

- discounted on a cash flow basis -

Franchise fee - stated comm. agreement - through a board agreement (which board) power of eminent domain & other collegiality provides direct involvement & community and the planning function

- one approach through zoning planning power - vetoed PAM
- continuing payment schedule to retire the debt

[Alaska Industrial Development Act - differential involved  
- is this a possible model?]

2/26 Kevin's suggestions that local governments might wish to be available

Don Gilman - major of Kenai  
Larry Farnam - Dick Nevai - Johnny Johnson  
(major-seward) (city-manager)

Oil companies - depreciate any impact -  
(CRA has their own projections)  
- constitutional questions / tax a fee? and  
the questions.

- pay taxes everywhere - (nice feature of the bill)

LISA's questions - how long are we  
looking at for income - no way to tell  
which

ideas \* Warning - annual fee - reapply each year -  
fixed fee to employment - force oil companies  
to disclose & plan.

- change statutes to include up front tax payments  
now as a credit against tax paid later.

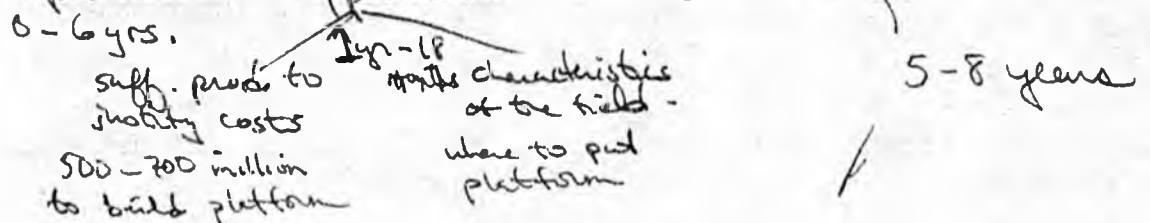
muni to withhold build. permits if project  
will create adverse impacts - criteria for  
issuing build, permit & planning reqs.

(franchise?)

2/28 Mr. Parr - grants for planning & other uses not for impacts -  
impacts to be estimated at \$4 million. There will <sup>be</sup> no significant  
conspiration from the fed. gov't & should be financed by those who  
profit - consumers - through oil companies in turn passed to consumers  
not aimed at punitive tax on oil companies

- estimated increase in population comes from CRA
  - estimated cost of state & local gov't per capita
  - DOR be the one to estimate revenues
- speed over 20  
year period

Mr. Kevin Waring - AK. has 1/2 of OCS and located out 3 miles -  
outside of our taxing jurisdiction - The extraction variations  
are part of the estimation process while dealing with  
hypotheticals - Exploration - Appraisal - Production -



LNG - wholly onshore facilities

Concrete - 300,000 yds. - earthquake problems either it -  
fluid base or hard pack. 1,000 - 1,500 employees for concrete  
platform

Erickson - Problem areas - 1) estimating impact (future costs are  
difficult) 2) allocation - those responsible are difficult to identify -  
3) incidence problem - how to make them pay -

3/7 Introduction of background materials - red - yellow

Tom Matthews - man. of engineering - Anchorage - Exxon  
immediate demand from oil devel. & no tax revenues  
generated to state & local gov't

① - questionably if OS ever will reject

② assuming revenue credits -

"any person engaged in anything leased or contracted"  
right of private infringement -

● - The "real impacts" - what is happening? 20-yr  
pop & discoveries done & SIMULTANEOUSLY is not reality

- The North Sea - leased all desirable acreage & 100  
discoveries - 50 of these were major - correlation of  
offshore rigs - ect. just not going to happen in Alaska -  
lease sale 39 - all supported out of Seward & impacts

are: a) 30-acre tract - supply base

b) radio comm.

c) another tract at Ak. rail roads

d) boats out of Seward & Ak. docks - "Alaska-Star"

workforce - company & contract - 4 in Seward

8 local sub-contract

13 Ak resid. - other  
25 AK.

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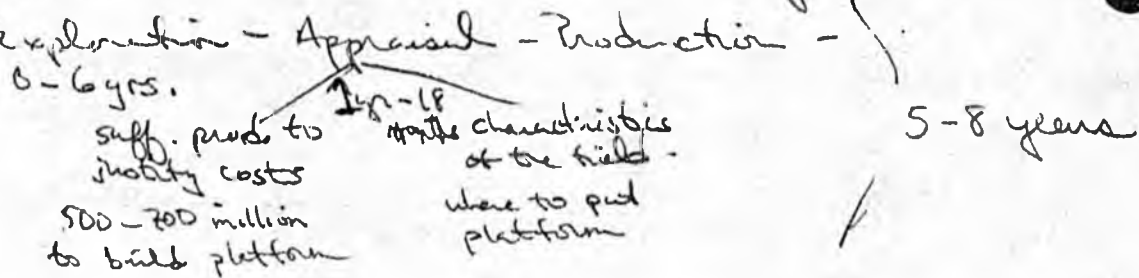
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200 - total - 175 - out-of-state

limited amount of local employment, goods and services  
long-term impacts - indeterminate

Santa Barbara - 1968 - now beg. to level. That lease  
comparable as an isolated sale - At. situation -

5-8 yrs. to bring it or to production

Immediate major demands - non-existent

- 3% sales and use

- start fees (loading)

- prop. taxes (enclosure #)

- benefits to employment

10,000 gal. a day of diesel fuel - 2¢ a gal. to state

022 { current rate of use that gets way to state.

0276 { C2M Act - 1.6 bil. to state to contract OCS

# At. eligible to 25% of these funds

look at this and strings attached -

Pay a permit fee with no payback if nothing doesn't occur  
& based on data that assumes simultaneously events occur - drastic

construction phase - large build-up - modular - many  
people involved in construction phase

need for additional impact - 3/4 mil. # a with a goods  
& services

15-20 years before all lease areas will be leased

9 out of 10 exploratory wells dry -

range of estimates - how to determine fee for permit -

OCB alleviate unemployment - ?? near impossibility of  
determining fees & lack of data and federal impact  
funds available - while OIA tie by would allow  
for AIA - to devel. its CRM plan -

- O doesn't think there is much ~~decision~~ incentive to  
bring things (industry) in

- K petro-chemical & other devel. in Cook Inlet  
that would need to be segregated

#3 Mr. Wiles - Chevron U.S.A.

Gulf of Alaska's operating <sup>committee</sup> study - impacts -

- synopsis of economic report -

completed May 1975 & briefed officials

able to effectively plan after social & economic

impacts - recoverable reserves & rate of recovery

are unknowns - production stage employment will

go down - estimated impacts from various communities

[impact would not be great but benefits would be]

\$30 mil. & 24 employees in Kenai

no figures the the  $\frac{3}{4}$  mil. a with ad as to how  
those breakdown - Matthews didn't know

Question: California law that outdated impact -

3/8 Initial phase - no immediate demand - Matthew

-R 1977 development phase - a good time period other  
than 20 years - average in the 20 year period  
Call of Alaska - 39 -

bank of monies -

why C2M Act provide grants and loans

Permit fee system is C2M in California / none  
related to impacts - NOAA grant on  
OCS impacts

-O what construction and/or about - 25 currently  
demand for water - limited existing water supplies  
No drink problem at dock water - additional

base bases -

Mr. Shewalter -

North Sea - California - how many people employed in Cook  
Inlet - how many employed then - now - services required -  
local settlement of Kenai peninsula. How many Alaskans could

receive full-time employment projections based on phase  
leasing schedules

3/9 Wiles continues - possible constitutionality question -  
• 030 - fee

Stalley, Mobil - case study - YAKATAT -  
Mobil request water use

3/10 20 mil - right of way leasing bill - normal taxing level

Snider - look into 90 of amount of lease -  
• sale -

3/11 Larry Powell - Mayor of YAKATAT - community survey -  
1975 - found that people were not interested in large scale build-up but some developments with restrictions & not destroying the quality of life

1976 - budget expenditures approaching 3X what happened in '73 & '74 - considerable costs

capital improvements - were not as great as anticipated for a comm. which encouraged development.

The community plan was integral to a good working relationship w/ YAKATAT community. More specifically what needs of community are -

Police facilities

Water facilities at capacity

Sewer facilities at capacity

Dock facilities need upgrading

Revenues not available until FY 1977

Airport has had considerable impact

Property <sup>values</sup> ~~has~~ increase to private citizens had a  
definite impact - 21 mills 1977 / 12 mills 1974

Attempts to get ~~RA~~ title ~~IX~~ and Title ~~IX~~

for cap. improvements

13 million assessed valuation

10,000 per capita income - now 15, - 15,

status in areas of village corporations

75% Native pop.

1500 acres of Yakutat boundaries

\$225,000 - FY 77      300-350, - FY 78      = \$10,000

contribution to schools -

C&RA grants for zoning - \$10,000 + \$40,000

Pipeline Grant - - \$53,000

control land situation to not allow for speculation from  
outside

3/15 Erickson - Chenoweth -

permit approach -

looked at the uses of OCS / granting approval to a franchise - type of approach - substantial precedence for franchise approach negotiating a fee for the ~~negotiation~~ franchise between the community/area and the oil companies. Approach that stands reasonably good chance of success.

the ability of the authority to hold the monopoly is it not possible for the local gov't to create it's own authority? Yes - accord. to JACT under AS 29 - away from work. areas do all local areas have control of tidelands like YAKATAT? - yes, if it is owned by locality. no dysfunction on local level from establishment

BB 224/C2M - coastal area but not immediate area of OCS

authority could: retain ownership - not necessary that land is in control (owned) by state or locality - right to exercise "inherent domain" -

"impact" depend. to the value of the prop. onshore" — not intention of the sponsor

legislative research — planning & zoning

PAN — "immediate impact" — in anticipation of demand  
see Ted Stevens column —

there is no guarantee that Congress will appropriate the funds for OCS —

State had taxing capability in Valdez & for OCS  
there is no taxing jurisdiction outside the 3-mile limit.

Lethin — municipality makes bargain — oil company —  
bases outside muni may not legally be  
(Error — implied that they were paying income tax —  
IS that true?)

Testimony that experts on rigs & onshore development are Alaskan residents

No problem with rebate system  
the amt. of money will be ascertained by what the companies are planning on doing — phasing it in — (Ericson proposal)

~~Notes~~

3/16 Hank Ostrosky -

Federal Field Committee - Article 9 C-

Comm. Law of the Sea - 44.9.719 -

Kevin Waring - Comm. & Rural Planning -  
arriving at their own best estimates

Main Service Bases - done by C&RA -

Port Facility - level of exploration & development

Regional Transportation Needs for facilities - transportation  
infrastructure - "oil as a transportation industry"

Planning Concepts - details approaches of other states

Regional Planning Document - workforce, popul. growth  
assessment of lands for industrial development.

The Management of OCS related development - what  
demands are placed upon the local govt - and the  
tools needed for

forecast model from Scotland - North Sea -

C&RA - preparation of local areas for potential impact

Rodiak Assessment Plan and Borough

Kenai Borough - assessment plan in works

→ fit together a comprehensive state plan for

this areas

Kevin Worring (cont.) plan against the possibilities  
of development - FACTS :  
The situation of grants.

no appropriations to implement CZM - 1972  
31.9 million loans - loan entitlements  
not grants to Alaska -  
Calif - N. Mexico - will be eligible for grants  
No prospect of 600, mil. in grants funds -  
costs of public services is 3 to 4 times higher  
than other states.

if uncertainty then it is far more equitable to  
place the risk, gambles and uncertainties upon  
the industry not the communities.

Rudd - where does the money come from for  
document publication

HUD -

CZM - funds for OCS

EDA - public facilities funds

General Fund -

50/50

funding split for  
state & local  
planning

defined econometric model -

4-5 years - add'l employment growth 3,200  
excluded some of the potential projects -

Benny - secure add'l revenues to support services  
Mini League - franchise fee - support -  
additional support to  
indisputable that there will be a need for more services

Time frame from point of contact - oil

- Authority - not to have legal power to sue -
- Purposes -
- Amendment to organic statute -
- zoning option - mention this to Lisa -

3/5 Mr. Weiss - mayor of Kailua - Kauai  
not meet the needs of sewage - schools -  
Impact - hosp. - state highway - small boat harbor,  
schools, sewers - (not an item on mini  
budget that will not  
be expected)  
able to identify all costs  
and

● Sinkeldner, Mark - attorney Atlantic Richfield -  
- for simple ways of meeting the problem  
- he recommends apply to state (local) to  
get upstart funds.

- challenged subjective nature of the fees application
- appears to pit the state agency against the local community -
  - questioned the option of the municipality to elect not to grant the permit -
  - d what happens during the appeal - Sec. 41.45.040.
  - is the permit granted?
  - d Sec 41.45.60 - within which time frame must the state take action to grant a permit? open discretion
  - Sec. 41.45.070 - modified to include a provision that there is opportunity to respond - with notice and not on a summary basis.
  - Single request - have the locality make application

Schaeferweiser, Darryl - Seward - recog. & supports the need for adequate funding -

- concern over impact as to the total magnitude of the bill
- d clarification of "onshore" / definitions
- d local government / defined (p. 1)
- Sec. 41.45.020. - line 17 - needs definition
- p. 3 line 5 - "adjacent community"
- stress the positive aspects of OCS impacts
- p. 4 l. 6 - how broad an area is going to be defined
- p. 4 l. 10 - when is it approp. to notify other parties

2.19 / 3/25 continued - Mr. Schaefermeyer - Seward

- p. 7 l. 5 - variance in muni & borough ordinances & this will cause additional problems / which will be the prevailing law under this bill.

~~Fudge~~ Recommendation to clarify the language regarding jurisdiction,

- Sec. 41.45.080. who should get fees involved because again the lack of definition - potentiality of adverse relationship

- p. 8 line 29 - define "community affected"

- Sec. 41.45.130. - penalties be a civil penalty can one levy this high of a fine as a misdemeanor

- front-end money - Anderson's questions

- state receiving adequate funding by oil taxation & possibly set that aside in a separate fund to go to local community

- difficult time in filing for grants -

Mr. Martins - Exxon attorney -

funds available through federal CEM

1/4 of a billion - alluded to -

- payment of property taxes - plus payment of permit fee - recommendation the option to recover permit fee after p. taxes collected

- no provision for what the local govt does with the money
- p. 8 l. 2 - standard multiplier - recommended. should be arrived at by the local communities
- Sec. 4L45.110. - DOI & Governor receive notification already by federal

idea:

- scrap - give local govt's authority to levy a fee & collect it directly
- left to operate in the unorganized borough (state to collect - using the money (since they can't rebate it to unorganized area))
- ~~allow~~ to have the authority to impose a special fee - & grant permit } employees
- strike the rebate provision
- doesn't take care of city outside corporate limits - they would rely on state -

Charles Prokop of Exxon, testimony before the Council on Environmental Quality, September 26-27, 1973:

"As production grows it would become necessary to have more and more personnel 'on location' until within a year or so a sizable community would develop near the producing area. If we keep our assumption of 200,000 B/D production as an example area, we could expect approximately 20 modest size business buildings, and two small hotels for temporary personnel and approximately 400 homes for the 600 people directly employed. A similar number would be expected to live outside the area in nearby cities with heavy emphasis still on Anchorage.

Of course, new supporting services would grow into the communities to serve the families of the employees, providing new jobs for those not directly associated with the industry. This could produce a community of near 2400 people and the churches, schools, recreation and service buildings accompanying a small population center. Land use would be approximately 6 square miles . . . .

There are several locations on the coastline of the Gulf which would accommodate sizable communities. At present Yakutat and Cordova are the only towns in the area under discussion. Neither is large enough to absorb even a part of the increased population, but either could be enlarged substantially should their positions be strategic. Yakutat would probably be the most ideally located of the two."

## OIL INDUSTRY EMPLOYMENT IN SCOTLAND

TABLE 5.6 CHANGES IN OIL INDUSTRY EMPLOYMENT, MARCH 1973-DECEMBER 1974

	Mar. '73	Jun. '73	Sep. '73	Dec. '73	Mar. '74	Jul. '74	Oct. '74	Dec. '74
Inverness and Easter Ross	1 840	1 795	2 040	3 205	4 175	4 375	3 520	4 025
Remainder of Highlands and Islands	50	65	50	85	395	930	1 365	1 565
North East	1 410	2 305	2 305 <sup>b</sup>	3 730	4 065	4 715	5 495	6 925
Tayside	25	35	95	135	150	280	475	765
East Central <sup>a</sup>	665	770	910	975	1 815	2 530	2 430	2 080
West Central <sup>c</sup>	110	170	250	480	675	785	855	870
Total	4 100	5 140	5 650	8 610	11 275	13 615	14 140	16 230

- a. East Central is equivalent to the Firth of Forth region as described in Chapter 6.
- b. No fresh figure was published for this quarter, therefore previous total has been carried forward.
- c. The figures for West Central Scotland do not include workers engaged in rig construction work in Clyde shipyards, e.g. Marathon, Clydebank. In December 1974 workers in this category numbered 1935.

Source: Department of Employment.

SOURCE: Hutchison, MacGregor and Hogg, Alexander, Scotland and Oil, 1975, p. 61.

March 15, 1977

TO: LISA  
FROM: JUDITH

RE: Income Tax of OCS drilling rig employees

Transcript - Verbatim 3/7/77

Ose: "These 75 or whatever, that are being brought up then, the only revenue is through income tax?"

Matthew: "That's right, because they don't live in the state and they don't place any demand or services on the state".

Kelly: "Why are we receiving income tax on these people, I don't think we are, are we?"

Matthews: "It depends on how their residency is established with the company. If they are working for a company that is established and franchised with the State of Alaska, and they're paid out of Alaska, then essentially a portion of their income is subject to Alaskan taxation."

Kelly: "Is the Alaska Star subject to Alaska taxation?"

Matthews: "Yes sir, being it's maintained and operated by a company called North-Star Drilling Company in Anchorage."

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I spoke with Mike McCormick, Chief, Audit Services, Department of Revenue and between corporate and individual taxation. The company has a legal obligation to withhold taxes on employees who are residents of the state. The state can tax individuals who are non-residents for income earned within the state. The state has no legal jurisdiction to tax income earned outside of the state.

EXHIBIT  
COMPARATIVE EMPLOYMENT DATA  
1961-1974  
KENAI-COOK INLET LABOR AREA

200 barrel / day (relatively small)

	1961	1962	1963	1964	1965	1966	1967	1968	1969	1970	1971	1972	1973	1974	% Increase 1961-1970	% Increase 1961-1974
Total Civilian Work Force	2,512	3,123	3,274	3,318	2,914	3,883	5,415	6,475	6,262	5,560	5,508	5,967	5,748	6,179	121%	146%
Total Employment	2,102	2,664	2,723	2,830	2,510	3,383	4,936	5,892	5,510	4,745	4,594	5,022	4,831	5,375	126%	156%
Total Unemployment	410	459	551	488	404	500	479	583	752	815	914	945	917	970	99%	137%
Non-agricultural wage and salary employment	960	1,284	1,322	1,397	1,754	2,462	3,677	4,470	4,153	3,576	3,454	3,822	4,049	4,487	273%	367%
Mining	155	169	159	179	212	415	915	1,099	966	652	525	528	560	503	321%	225%
Contract Construction	57	94	99	128	259	**	821	1,209	736	354	398	433	343	441	521%	674%
Manufacturing	138	198	236	266	265	258	260	333	482	583	524	553	629	716	322%	419%
Transportation, communications and utilities	90	104	94	107	124	141	306	267	273	293	254	280	296	404	226%	349%
Trade	113	134	152	151	219	303	357	432	528	507	466	502	507	627	349%	455%
Finance, insurance and real estate	27	34	44	**	**	**	**	**	**	**	**	79	81	90	**	233%
Services	86	154	135	**	180	263	334	401	364	339	338	446	596	671	294%	680%
Miscellaneous	*	*	*	*	**	**	**	**	**	**	**	55	90	88	**	*
Government	294	397	403	380	445	595	611	641	701	751	973	946	947	947	155%	222%

\*Services and miscellaneous aggregated  
\*\*Withheld to comply with disclosure regulations

Hold Indefinitely

Sec. 41.45. . FEDERAL GRANT ASSISTANCE OFFSET. (a) Formula grants appropriated under sec. 308(c) of the Coastal Energy Impact Program (16 U.S.C. 1456a(c)) and received by the state for the purpose of reallocation to municipalities and communities in accordance with the provisions of that Act shall be applied to offset fees due under this chapter.

(b) If the department determines an allocation prior to payment of a fee by an applicant under this chapter, there shall be allowed as a credit against a fee payable by the applicant an amount determined by applying to the allocation for a municipality or community the ratio which the fee payable by the applicant bears to the estimated fees payable by all applicants for facilities to be located in the municipality or community or within 10 miles of the municipality or community during the fiscal year.

(c) If the department determines an allocation subsequent to payment of a fee by a permit holder under this chapter, there shall be allowed, as a credit or refund, an amount determined by applying to the allocation for the municipality or community the ratio which the fee paid by the permit holder bears to the total of fees paid and the estimate of fees payable by all permit holders and applicants for facilities to be located in the municipality or community or within 10 miles of the municipality or community during the fiscal year. The permit holder may claim the amount computed in this subsection

(1) as a credit against any additional fee payable for the benefit of the municipality or community under this chapter; or

(2) if the permit holder reasonably anticipates no further activity in conjunction with a shore facility within the municipality or community or within 10 miles of the municipality or community which would require a subsequent permit or amendment of a permit for an existing facility, as a refund of the amount.

(d) Amounts refunded to a holder of a permit under (c)(2) of this section shall be withheld by the commissioner from payments due the municipality or community.

(e) In this section, "allocation" means the intrastate determination and allocation required to be made by the department under AS 44.47.050(19).

\*Sec. . AS 44.47.050 is amended by adding a new paragraph to read:

(19) by regulation adopted in accordance with the Administrative Procedures Act (AS 44.62), provide for an intrastate allocation process for the determination and equitable allocation of financial assistance payable to municipalities and communities under sec. 308(g)(2) of the Coastal Energy Impact Program (16 U.S.C. 1456a(g)(2)).

EXAMPLE 1: Determination of allocation prior to payment of fees ...

The Department determines that, of the federal grant money available, the City of X is entitled to \$ 100,000.

It is estimated that there will be five applications for permits to be issued in X during the same fiscal year, the applications and fees payable set out below:

A	\$ 20,000	
B	\$ 40,000	
C	\$ 75,000	
D	\$ 15,000	
E	<u>\$ 50,000</u>	
	\$ 200,000	Total permit fees payable

A may claim as a credit against the \$ 20,000 fee payable the sum of \$ 10,000:

$$\frac{\$ 20,000}{\$ 200,000} = 10\% \times 100,000 = \$ 10,000 \text{ and pays } \$ 10,000$$

B may claim as a credit	20,000	and pays	20,000
C may claim as a credit	37,500	and pays	37,500
D may claim as a credit	7,500	and pays	7,500
E may claim as a credit	<u>25,000</u>	and pays	<u>25,000</u>
	\$100,000		\$ 100,000

In summary, the municipality receives \$ 200,000

\$ 100,000 from the allocation made by the Department

\$ 100,000 from the payments by the applicants

EXAMPLE 2. Determination of allocation subsequent to payment of fee by one or more applicants; claim for credit or refund

The department determines that, of federal grant money available, the City of Y is entitled to \$ 200,000.

Two permits have been issued, and two permit fees paid in full by the permit holders, amounting to total payments of \$ 400,000:

A has paid \$ 100,000

B has paid \$ 300,000

During the fiscal year, the department determines, from advance reports which it receives, that 3 more permits will likely be issued:

C: estimated permit fee of \$ 50,000

D: estimated permit fee of \$ 35,000

E: estimated permit fee of \$ 15,000

and that the total of all fees which will fall due during the fiscal year for the City of Y will be \$ 500,000.

A may claim as a credit (against future fee payments) or a refund the sum of \$ 40,000:

$$\frac{\$ 100,000}{\$ 500,000} = 20\% \times \$ 200,000 = \$ 40,000$$

B may claim as a credit (against future fee payments) or a refund the sum of \$ 120,000:

$$\frac{\$ 300,000}{\$ 500,000} = 60\% \times \$ 200,000 = \$ 120,000$$

C, when it pays its fee, pays \$ 30,000:

$$\frac{\$ 50,000}{\$ 500,000} = 10\% \times \$ 200,000 = \$ 20,000 \text{ credit against } \$ 50,000 \text{ or}$$

an actual payment of \$ 30,000

D, when it pays its fee, pays \$ 21,000:

$$\frac{\$ 35,000}{\$ 500,000} = 7\% \times \$ 200,000 = \$ 14,000 \text{ credit against } \$ 35,000 \text{ or}$$

an actual payment of \$ 21,000

E, when it pays its fee, pays \$ 9,000:

$$\frac{\$ 15,000}{\$ 500,000} = 3\% \times \$ 200,000 = \$ 6,000 \text{ credit against } \$ 15,000 \text{ or an actual payment of } \$ 9,000.$$

In summary:

The department provides, by way of credit or refund, \$ 160,000 to the benefit of A and B:

to A           \$ 40,000  
to B           \$ 120,000

It withholds this amount (\$ 160,000) from the \$ 200,000 allocation due the City of Y, and pays the City the difference (\$ 40,000)

The City of Y

has received                   \$ 400,000 from A and B  
will receive                   30,000 from C  
                                  21,000 from D  
                                  9,000 from E  
                                  40,000 of federal funds from the State  
                                  \$ 500,000

The permittees have each paid (net after allowing for credits and refunds) 60% of the fee which they should have paid:

A	60% x \$ 100,000	=	\$ 60,000
B	60% x \$ 300,000	=	180,000
C	60% x \$ 50,000	=	30,000
D	60% x \$ 35,000	=	21,000
E	60% x \$ 15,000	=	9,000
			<u>\$300,000</u>

which, together with the \$ 200,000 of federal assistance, equals the \$ 500,000 which the City of Y was entitled to under the permit fee formula.

RESPONSE TO COMMENTS RECEIVED DURING TESTIMONY ON FRIDAY, MARCH 25,  
WITH REFERENCE TO PROPOSED CSHB 219 --

Page 3, line 5: reference to "adjacent community or on the region" --  
The term has no clearly understood reference unless one is provided in the bill. The committee may want to phrase a definition in terms of distance or mileage or, in keeping with the spirit of the bill, suggest or require that the department define the term by regulation. This could be done by incorporating the latter as a mandatory requirement in the section entitled "Administration, " AS 41.45.100(b) of the draft. [The term also appears, obliquely, at page 4, lines 2 and 3 and 6.]

Page 3, lines 21 and 22: reference to "health, welfare, and safety" --  
The purpose of inclusion of the phrase was to allow the department to require evaluation of impact in the broadest possible terms with reference to any governmental function which an affected local government might perform under AS 29.

Page 3, line 28: correct to read :

(8) a resolution of approval of the governing body...

Page 4, line 10: Subsection (e) may be deleted; because applications are available for public inspection [subsection (c)], the department may provide copies to any interested party.

Page 4, lines 23 and 24: The formula could be made "tighter" by having it read:

(2) the estimate of the maximum anticipated population increase within the municipality attributable to employment...

Page 5: Sec. 40 of the draft.

With respect to the observation of Mr. Singletary, it was my intent that the issuance of a permit not be held up while the parties engage in hearings over whether the fee determined and tendered by the applicant was properly computed, but only if a fee, however determined, was not "promptly paid" [see sec. 60(1), following page].

Page 6, line 19:

estimated value of the facility determined under sec. 30(a)(1) of this chapter by more than 10 per cent;

*Impact on the municipality or the region within a 10-mile radius*

Page 6, line 23: Objection was made that there was no time frame within which the department would be required to release a permit. The provision could be amended to read:

Sec. 41.45.060. ISSUANCE OF PERMIT. The department shall issue a permit within 30 days of receipt of a complete application. The department may refuse to issue a permit...

Page 7, lines 1 - 11: Request that no permit be revoked or suspended without opportunity for a public hearing. Revise the section to read:

Sec. 41.45.070. REVOCATION OR SUSPENSION OF PERMIT. The department may revoke or suspend a permit issued under the provisions of this chapter if, after notice and hearing to all parties, the commissioner determines that

(1) the facility does not conform, in location, construction or operation, to applicable municipal ordinance or regulation; or

(2) an additional fee is due and payable under sec. 40(b) of this chapter or an additional fee and penalty are due and payable under sec. 50(b) of this chapter, and the holder of the permit has failed to pay the additional fee, together with penalty due, if any, within the time prescribed by law.

Page 7, line 15 and 16: Revise to read:

...to defray the costs of administration and enforcement of the provisions of this chapter.

Page 7, lines 25 - 27: Amend to read:

... for which a permit has been issued under this chapter for compliance with the provisions of this chapter and the provisions of the permit application.

[The purpose of the section is to require that some entity having the technical capacity to do so oversee operations of permittees in order to assure that the statements made by the applicant for permit reflect the later circumstances. If activity exceeds predictions, a supplementary permit fee may be levied.]

Page 8, line 2: One witness mentioned that "standard multiplier factors" vary among communities. I don't know whether this is true but, assuming it is, the paragraph could be amended to read:

(1) standard multiplier factors determined by region and appli-

cable to all communities within a region relating the number...

Page 8, lines 13 and following: In light of the fact that some of the information required under long-range reports must be provided to the Department of the Interior under the provisions of an OCS lease, the committee might want to consider a further subsection in sec. 110 authorizing return of this information in satisfaction of the requirements imposed in this section.

Research  
This

Page 9, lines 7 - 12: This is a CRIMINAL penalty intended for application to a party required to have a permit under this chapter and conducting operations without that permit. The CIVIL penalties in the bill are to be found in two places: the 10% penalty of sec. 50(c) [page 6, line 10] and the "double payment" provision of sec. 120 [page 9, lines 1 - 6].

Page 9: Add, to the definitions section, a standard definition of the term "municipality."

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Page 2, line 16 and following: You ... re asked for clarification of the parties which would be required to apply for a permit. As section 20(a) is now written, the applicant would be a party "engaged in exploration, development or production under terms of a lease... in the offshore waters adjacent to the state," thus placing the burden squarely on the companies holding the leases. Should you want to require that actual contractors and/or operators (rather than the industry directly) bear the responsibility and attendant costs, it would be sufficient to rewrite sec. 20(a) to read:

(a) No person may construct a shore facility without first applying for and securing from the department a shore facilities construction permit and paying the fee provided in sec. 30 of this chapter.

You would, of course, rely on the definition of "shore facility" set out in the definitions section to distinguish between facilities for which a prior permit is required and those which would not. Using the language set out above, however, it would appear clearer that the contractor would carry the burden.

Sec. 41.45.060. ISSUANCE OF PERMIT. (a) The department shall issue a permit within 30 days of receipt of a completed application and payment of the permit fee. The department may refuse to issue a permit only if it finds that

(1) a fee due and payable by the applicant on an original application or an amended application has not been promptly paid; or

(2) the application does not contain, or is not supported by, written approval of the governing body of the municipality required by sec. 20(b)(8) of this chapter.

(b) If the area affected by construction of a shore facility is within one municipality and the municipality unreasonably withholds approval of an application for permit required by sec. 20(b)(8) of this chapter, the commissioner may waive the approval requirement and issue the permit.

Judith - Lisa didn't  
want this in committee  
members files - I caught  
it in time

D

Sec. 41.45.060. ISSUANCE OF PERMIT. (a) The department shall issue a permit within 30 days of receipt of a completed application and payment of the permit fee. The department may refuse to issue a permit only if it finds that

- (1) a fee due and payable by the applicant on an original application or an amended application has not been promptly paid; or
- (2) the application does not contain, or is not supported by, written approval of the governing body of the municipality required by sec. 20(b)(8) of this chapter.

(b) If the area affected by construction of a shore facility is within one municipality and the municipality unreasonably withholds approval of an application for permit required by sec. 20(b)(8) of this chapter, the commissioner may waive the approval requirement and issue the permit.

LISA,

JACK handed me this this morning to handle the North Slope Borough situation. Shall we duplicate and attach to his package of propose language changes for tomorrow?

Also attached is the fiscal note - FY1.

J.

FISCAL NOTE

I. REQUEST  
 Bill/Resolution No. CS HB 219  
 Title An Act Providing For Permits...for Offshore Oil & Gas Exploration, Development &  
 Requested by House Community & Regional Affairs Committee Date 03/28/77 Production

II. FISCAL DETAIL  
 Agency Affected Division of Community Planning, Dept. of Community & Regional Affairs  
 Program Category Affected Development  
 Budget Request Unit(s) Affected Community Planning Assistance

EXPENDITURES (Thousands of Dollars)

	FY 77	FY 78	FY 79	FY 80	FY 81	FY 82
100 PERSONAL SERVICES						
200 TRAVEL		4.0	4.5	5.0		
300 CONTRACTUAL		3.0	3.5	4.0		
400 COMMODITIES		1.0	1.0	1.0		
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC.						
<b>TOTAL</b>		<b>8.0</b>	<b>9.0</b>	<b>10.0</b>		

FUNDING (Thousands of Dollars)

	FY 77	FY 78	FY 79	FY 80	FY 81	FY 82
GENERAL FUND		8.0	9.0	10.0		
FEDERAL FUNDS						
OTHER (Specify)						

POSITIONS

	FY 77	FY 78	FY 79	FY 80	FY 81	FY 82
FULL TIME		-0-	-0-	-0-		
PART TIME						
TEMPORARY						

III. ANALYSIS (See Fiscal Note Preparation Instructions, Section III)

CS HB 219 sets up a permit requirement for persons providing shore facilities in support of oil and gas exploration, development and production offshore Alaska and requires the Department of Community and Regional Affairs to receive and act upon permit applications according to standards set out in law and regulation. We anticipate that the actual number of permit applications to be processed will be limited at first (5-20 annually) and do not justify a full-time position. The limited staff time needed to administer the permits and fees can best be provided by adjusting staff priorities. However, administration of CS HB 219 also requires adoption of regulations, public distribution of data, and may require extensive public hearings. The Fiscal Note does allow for travel, public notices, distribution of data and other incidental costs as may prove necessary.

IV. DATE 03/29/77 PREPARED BY Kevin Wain  
 AGENCY Community Planning Division  
 Original: Legislative Finance PHONE 465-4706  
 cc: Budget and Management  
 Prime Sponsor (First Legislator Named)