

HB

219

(NEW MATERIAL
1978)

Hearing on HB 219
Municipal lg. Comm.
11/2/77 - Juneau

oil spills

Valdez -

- basically a "no-growth" bill
- bonding situation in Valdez?
- Money for state - ?
- state provided \$5 mil. to Valdez for impact - what prog?
- still waiting for pipeline if this bill was in effect -
- ^{ways to} make own decisions
- planning & zoning - do they?

Where in bill does it say growth not good?

Where does it say they can't make own decisions?

Where does it say state is telling munis. what they want?

Where shd. state impact \$ come from? (\$160 mil. in hole)

Happy w/ 20 mil tax divvy?

Mozzatt - Petersburg

* difficulty w big brother + no growth -
opposition by Mayor - no formal action by Mayor -

Betty Wallin - Kodiak -
supports bill

John Carlson -
incl. Interior - (looking towards
refinery)

Value of facility changes -
Reaction to frustrations of being
able to get info from Alyeska.
"explaining need for facility"
"evaluate other locations"

CITY OF PETERSBURG

P. O. Box 329 • PETERSBURG, ALASKA 99833

March 30, 1977

Representative E.J. Haugen
Pouch V
Juneau, Alaska
99811

Dear Representative Haugen:

HB 219, if passed, would be detrimental to all Alaskan Communities in their development, planning and zoning, and economics.

HB 219 could and would retard development of any facilities in Alaskan communities and makes decisions by local authorities impossible.

Petersburg is vehemently opposed to this Bill in any form.

I am personally totally opposed to this Bill.

Sincerely,

Theodore M. Smith (TMS)

Theodore M. Smith
Mayor, City of Petersburg

TMS/plc



STATE OF ALASKA

DEPT. OF COMMUNITY & REGIONAL AFFAIRS

DIVISION OF LOCAL GOVERNMENT ASSISTANCE

JAY S. HAMMOND, GOVERNOR

POUCH B - JUNEAU 99311

October 20, 1977

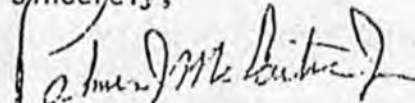
Dear State Legislator:

Enclosed is the department's new regulation implementing the Coastal Energy Impact Program (CEIP). The CEIP is a federal grant and loan program designed to help coastal states and communities deal with the impacts of energy development.

Under the CEIP the state is given the primary responsibility for administration with the federal CEIP office providing technical assistance and funding. On April 4, 1977, Governor Hammond designated DCRA as the lead agency for the CEIP. Accordingly, DCRA has assumed the responsibility of preparing the federally mandated intrastate allocation process required to implement and administer this program. Local government officials and interested state agency personnel helped draft the guidelines that implement this process and we expect these parties to continue to be active in guiding this program.

This allocation process and the criteria used to rank applications has undergone a great deal of public scrutiny and will be subject to periodic revision. We feel that much will be learned in the initial year of operation and therefore we need the flexibility to go back and revise the CEIP application process to make it a more workable and useful program. Public input on any proposed changes will be encouraged and in some cases changes will probably be initiated by eligible CEIP applicants or other interested parties. The adoption of this regulation will afford us the flexibility to make needed changes to insure the maximum benefit from this program.

Sincerely,



Palmer McCarter
Director

DEPARTMENT OF COMMUNITY AND
REGIONAL AFFAIRS

Notice of Proposed Changes in the Regulations of the
Department of Community and Regional Affairs

Notice is hereby given that the Department of Community and Regional Affairs, under authority vested by AS 44.47.160, proposes to adopt regulations in Title 19 of the Alaska Administrative Code to implement AS 44.47.050(14), as follows:

- (1) Chapter 17 is created by adding new provisions as follows:

Section 10 - Coastal Energy Impact Program

19 AAC 17.010. Loans and grants shall be made in accordance with the provisions of this Department's "Coastal Energy Impact Program Policy Guidelines". Copies of the "Coastal Energy Impact Program Policy Guidelines" are available from the Department of Community & Regional Affairs, without cost.

Authority: AS 44.47.050 (14)
AS 44.47.100

Notice is also given that any person interested may present written statements or arguments relevant to the action proposed at Room 209, Community Building, Juneau, Alaska, before 4 o'clock p.m. on November 18, 1977.

Copies of the proposed regulation may be obtained by writing to: CEIP Coordinator, LGAD, Pouch B, Juneau, Alaska 99811.

The Department, upon its own motion or at the instance of any interested person, may thereafter adopt the proposals substantially as described above without further notice or may decide to take no action on them.

DATE: October 14, 1977

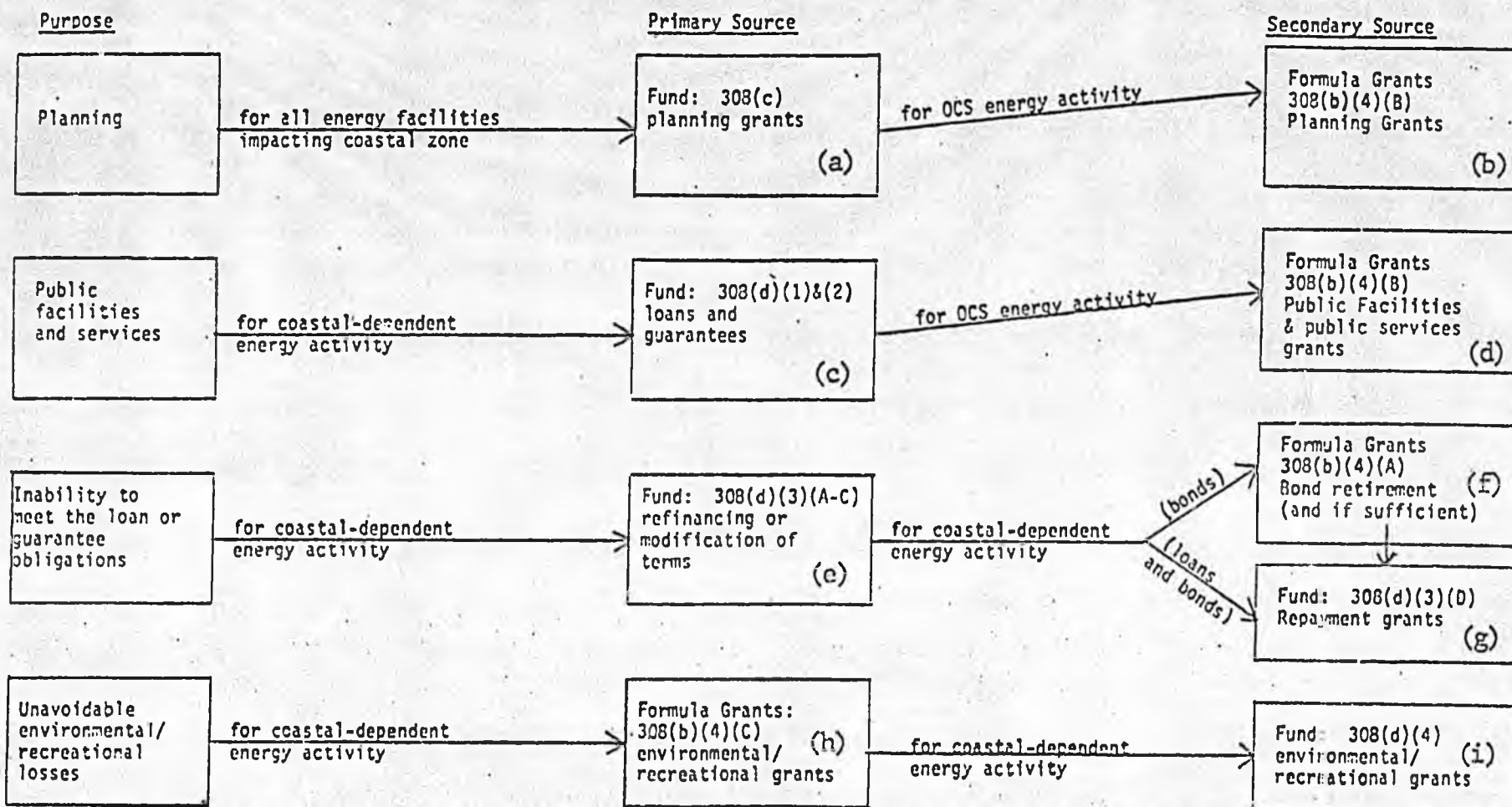
/s/ Lee McAnerney

Commissioner

CEIP FEDERAL ALLOTMENTS TO ALASKA FOR FY'77

Figure 1

PL 94-370 Coastal Energy Impact Program: Primary and Fund 308(c) Planning Grants



Square (a) Fund Planning Grants -- 308(c) 80% Fed./ 20% Local/State	Alaska Allotment	\$ 365,456
Squares (b)(d)(f)(h) Formula Grants -- 308(b) 100% Fed.	Alaska Allotment	1,178,643
Squares (c)(e)(g) Credit Assistance ("Fund") 308(d)(1),(2),(3) 100% Fed.	Alaska Allotment	48,612,973
Square (i) Environmental/Recreation Grants 308(d)(4) 100% Fed.	Alaska Allotment	662,904

Senate Bill on Drilling

S.F. Chronicle #115/77

New Offshore Oil Rules OK'd

Washington

The Senate yesterday voted for a sweeping overhaul of the rules for tapping offshore oil and gas resources and gave President Carter the power to order exploratory drilling both in the seabed and on land.

A bill making major amendments in a 1953 law allowing the leasing of petroleum resources on the outer continental shelf was passed 59 to 18. The bill, setting new guidelines for offshore drilling, would:

- Direct the President to make an inventory of the nation's oil and gas resources and give him the power to order federal exploratory drilling on offshore and onshore land—either public or private. Federal agencies would do the exploratory drilling only if it was not being done by oil companies.

- Give the secretary of Interior an almost unlimited number of bidding systems to choose from in awarding offshore oil and gas leases. An amendment by Senator John Glenn (Dem.-Ohio) would let the secretary use a bidding system

not in the bill if it were not vetoed by either the House or Senate within 30 days.

- Reduce the number of leases that could be sold under "cash bonus" bids from two-thirds to one-half.

- Guarantee independent refiners access to offshore crude at world prices, and would require that pipelines carrying oil from the outer shelf be open to all producers on a nondiscriminatory basis.

- Give states more say in offshore matters, create a fund to pay for damage caused by oil spills and provide compensation for fishermen whose vessels or gear are damaged by offshore oil operations.

Senator J. Bennett Johnston (Dem.-La.) called the Durkin amendment — which would give the President power to order exploratory drilling — "absolutely insane." Senator Clifford Hansen (Rep.-Wyo.) called it a "ripoff" of the taxpayer and probably unconstitutional. The amendment was authored by Senator John Durkin (Dem.-N.H.).

"I happen to think that it

represents a clear invasion of the rights of the private property owner," Hansen said. "There would be lawsuits filed from one end of the country to the other."

Johnston said the amendment would result in a "multibillion dollar" program of exploration by a government oil company replacing independent drillers who now who "do 95 per cent of the exploratory drilling."

Senate Democratic Leader Robert Byrd of West Virginia told his colleagues the bill might do more to improve the nation's oil and gas supply than any other energy bill now pending in congress.

The bill, Byrd said, would increase the number of companies that could drill on the outer continental shelf while also increasing the government's ability to assess the nation's oil resources.

The legislation now goes to the House, where similar legislation is pending before a special committee. The controversial senate amendments could run into trouble in the House.

United Press

otem spotlight Anch. News 8/23/77

219

Early morning sun highlights this totem pole in the Sitka National Monument administered by the National Park Service in the Southeast community. The monument commemorates the 1804 battle between Tlingit Indians and the Russians for possession of the area. A nearby visitors' center houses a facility for Indian craftsmen.

New offshore oil leasing plan

By ROSEMARY SHINOHARA
Daily News Staff Writer
Interior Secretary Cecil Andrus has announced a new offshore oil and gas leasing schedule through 1981 with six sales planned off Alaska, including a second sale in Cook Inlet.

The schedule, made public today, excludes two areas which Alaska officials suggested should be considered as marine sanctuaries, and three of four areas where the state said sales should be held off until Arctic ice experience and technology were developed.

Andrus said in announcing the schedule that it was prepared "in close consultation" with the affected coastal states. States were asked to respond to detailed questions about sales in their areas by July 15, and Alaska did so at great length.

The secretary had earlier announced a sale in Lower Cook Inlet in October of this year. That sale, supported by the administration of Gov.

Jay S. Hammond, was originally scheduled for February of this year. But when Andrus became Interior secretary, he ordered it postponed.

Other sales on the latest planning schedule include:

- A federal-state near-shore

(Continued on page 2)

(over)

New oil leasing schedule

(Continued from Page 1)

Beaufort Sea sale in December of 1979.

- A Gulf of Alaska sale in June of 1980, and a Kodiak area sale in October of 1980.

- A second sale in Cook Inlet in March of 1981, and a sale in the Norton Sound area of the Bering Sea in December of 1981.

Two federal sales which had been proposed under prior Republican administrations, one at St. George Basin on the Bering Sea shelf and one in Bristol Bay, were not on the Andrus planning schedule.

Commissioner of Natural Resources Robert LeResche said Monday, "We're pleased with the schedule.

... it was very responsive to our suggestions. Especially since they listed second sales in the North Gulf of Alaska and Cook Inlet. Our only disappointment is that the Beaufort Sea sale is not happening until late '79. We had asked that it be held in early 1979 in conjunction with a state sale."

The State of Alaska, in its comments to Interior last month, recommended that both the Bering Sea and Bristol Bay areas be considered as marine sanctuaries, and lease sales in them be postponed indefinitely.

The state also had recommended that sales in the Chuckchi Sea, the Norton Basin in the Bering Sea, in the ice shear zone and ice pack zone of the Beaufort Sea, all be delayed until adequate technology and

experience is developed to ensure safe operations in Arctic ice conditions.

Particularly, the state recommended that in those four areas, sales should be put off until development in the near-shore region of the Beaufort Sea proved that exploration and development would be technologically successful.

Of the four areas, Andrus scheduled only the Norton Basin sale, and that one is the longest range sale on the planning schedule.

As for the second sale in Cook Inlet in 1981, the secretary said the three-year interval was intended to prove for "an orderly level of activity."

Senate Committee Favors Onshore Impact Funds

Mich. Times June '77

Times Washington Bureau
WASHINGTON — The Senate Energy Committee voted yesterday to give Alaska and other coastal states a greater share of the revenue from offshore oil and gas to help cope with onshore impacts of drilling.

The revenue sharing amendment was added to a broad outer continental shelf reform bill which passed the committee by a 12-4 vote.

According to a spokesman for Sen. J. Bennett Johnston, D-La., author of the amendment, Alaska probably will not benefit from the revenue sharing plan until actual oil production starts in several years.

He said the amendment is aimed for the time being at compensating states where oil production is already under way — primarily in Louisiana and Texas.

Under the amendment, a \$100 million fund would be set up and distributed each year to coastal states according to the amount of oil and gas produced or landed off their shores.

The money could be used in accordance with the state's approved coastzone management plan to help cope with the numerous onshore impacts associated with offshore drilling.

Meanwhile, House authors of the outer continental shelf bill are working on a completely different revenue sharing amendment which would give Alaska a far greater share of the oil profits and start the payments immediately.

Under the House version, which is being drafted by Reps. William J. Hughes, D-N.J., and John Breaux, D-La., states would not have to wait for

oil production to begin before qualifying for the impact assistance.

Rather, they could begin drawing money as soon as the first acreage of their shores is leased to the oil companies — a step which has already been taken in Alaska.

Instead of limiting the total impact fund to \$100 million a year, the House version would set aside as much as \$2 billion a year for the coastal states, depending on the total amount of money received by the national treasury from outer continental shelf operations.

Hughes, who met briefly with President Carter yesterday, reported that the President does not favor the House approach since it would funnel millions of dollars to coastal states merely because drilling is taking place off their shores and not really because they need it.

Hughes conceded that he may have to decrease the total amount of money which would be provided to coastal states in order to avoid the appearance of a windfall which might cause the whole program to be defeated.

But he said the Johnston amendment as passed by the Senate committee is also unacceptable because it would not give Alaska the money it needs at this time to prepare for offshore drilling.

In addition to adopting the revenue sharing proposal, the Senate committee also acted on two other important amendments to the bill.

First, the panel defeated an amendment which would have authorized the secretary of Interior to engage in government-sponsored oil drilling.

The secretary already has that authority under the law, and Secretary Cecil Andrus has announced that the government will begin an exploration program as early as next year.

By defeating the amendment, the committee did not take away the secretary's authority to drill, but simply served notice that it does not look

favor government drilling, a committee spokesman explained.

In addition, the committee adopted an amendment strongly opposed by the oil industry which would require the use of bidding systems other than bonus bidding on one-third of all offshore acreage.

The oil industry has lobbied fiercely

against changing the bidding system and in favor of the status quo.

The House Outer Continental Shelf Committee is scheduled to begin voting on its version of the bill June 29, and it is obvious that there will be differences which will have to be resolved in conference.

STATE OF ALASKA

DEPT. OF COMMUNITY & REGIONAL AFFAIRS

DIVISION OF COMMUNITY PLANNING

POUCH B - JUNEAU 99811

JAY S. HAMMOND, GOVERNOR

October 6, 1977

The Honorable Lisa Rudd
2827 Lore Road
Anchorage, Alaska 99507

Dear Lisa:

Enclosed are the materials on House Bill 219 which Rob Shoaf and I presented to the Community and Regional Affairs Committee in August. The materials are marked as Exhibits 1 through 8 and do not at this time represent departmental policy on this bill. The exhibits are summarized in the following paragraphs.

Exhibit 1. This exhibit shows the onshore and offshore employment assumptions used by this Department to forecast total OCS-related employment in the Northern and Western Gulf of Alaska. Also included are current population estimates for those coastal cities likely to be affected by exploration and commercial development of offshore petroleum resources. Please note that while none of the individual activities employ large numbers of people, the numbers of new jobs assumed would significantly contribute to the population of small cities which might be affected.

Exhibit 2. Exhibit 2 indicates the planning capabilities of those cities and boroughs which may be affected by leasing and development of offshore areas near their jurisdiction. While most of the municipalities have a planning and zoning commission, very few actually have a professional planning staff.

Exhibit 3. Exhibit 3 lists the loans and grants available through the Coastal Energy Impact Program (CEIP). Available are planning grants, formula grants and credit assistance. All planning grant money must be used before formula grants become available. Planning grant requires a 20 percent match by local communities. The twenty percent match required could be financed through OCS permit fees.

Exhibit 4. Exhibit 4 lists the types of planning activities which can be funded through the CEIP program. Please note that CEIP funds are not currently available to finance the cost of negotiating with a potential developer or handling increased administrative costs resulting from rapid growth.

Exhibit 5. Exhibit 5 is a summary of the most recent version of House Bill 219. It contains a table which estimates the hypothetical revenues that would be generated from the proposed fee schedule.

Exhibit 6. Exhibit 6 is a brief outline of the merits of House Bill 219, its shortcomings as it is currently written, and suggested improvements which might be considered by the Committee.

Page 2
The Honorable Lisa Rudd
October 6, 1977

Exhibit 7. Exhibit 7 is Rob's critical examination of two areas in the bill which he thinks may need further revision: local approval power and prior planning by the developer.

Exhibit 8. Exhibit 8 suggests examples of statutory language which might minimize problems raised in Exhibit 7.

I hope this information is useful to you and the Committee members. As I told you during our last meeting, I will be available to discuss the bill at the November Municipal League Meeting, or at another time if more convenient.

Looking forward to speaking to you soon.

Sincerely yours,

Lois

Lois Kramer
Planning Supervisor

LK/sv

Enclosures

ONSHORE EMPLOYMENT ASSUMPTIONS

Category	Employment
Rig Service.....	25 per rig
Platform Service: Installation.....	100 per platform
Drilling.....	80 per platform
Production.....	40 per platform
Administration.....	15 per rig 40 per platform
Service Bases.....	15 per berth
Oil Terminals: 250,000 b/d.....	150 per terminal
350,000 b/d.....	200 per terminal
450,000 b/d.....	250 per terminal
600,000 b/d.....	300 per terminal
LNG Plants: 1 billion cu.ft./d.....	200 per terminal
1.6 billion cu.ft./d.....	300 per terminal

Offshore Employment Assumptions

Operation	Number of Jobs/Activity
Rig.....	115
Platform: Installation and Hook-up.....	300
Drilling.....	250
Production.....	140
Lay-barge.....	250
Bury-barge.....	100

Construction Employment Assumptions

ONSHORE FACILITY		NUMBER OF JOBS			
		YEAR 1	YEAR 2	YEAR 3	YEAR 4
Service Base	2 berth	75	150		
	3-4 berth	100	200		
	4 berth	125	250		
Oil Terminal	250,000 b/d	150	600	1,200	300
	350,000 b/d	200	800	1,500	500
	450,000 b/d	200	1,000	1,900	600
	600,000 b/d	300	1,200	2,300	700
LNG Plant	1 billion cu.ft./d	500	1,300	2,500	800
	1.6 billion cu.ft./d	500	2,000	4,000	1,200

POPULATION OF CITIES

Yakutat	442
Cordova	2,406
Seward	1,823
Homer	1,538
Seldovia	612
Kodiak	4,960
Unalaska	510
Dillingham	1,176
City of St. Paul	456
Nome	2,585
Kotzebue	2,431
Barrow	2,307

Do these apply also to Cook Inlet?

TOTAL DIRECT AND INDIRECT EMPLOYMENT: NORTHERN GULF

YEAR	NO FIND	MODERATE FIND		HIGH FIND	BOHARZA
		NO PIPELINE	PIPELINE		
1976	240	240	240	240	240
1977	670	906	906	1123	1261
1978	905	1790	1790	1900	2155
1979	477	1366	1356	2843	3677
1980	240	1366	1669	3540	4745
1981		906	2336	4375	6140
1982		953	3212	5705	6681
1983		1353	2691	5210	9305
1984		2060	2360	7348	11392
1985		2623	2923	8899	13728
1986		2439	2739	6401	9622
1987		2299	2599	5349	8248
1988		2069	2369	4887	7803
1989		1838	2138	4173	6918
1990		1585	1895	3671	5840

TOTAL DIRECT AND INDIRECT EMPLOYMENT: WESTERN GULF

YEAR AFTER LEASE SALE	YEAR	NO FIND	MODERATE FIND		HIGH FIND
			NO PIPELINE	PIPELINE	
1st	1980	239	321	322	322
2nd	1981	454	834	834	1181
3rd	1982	669	1337	1447	2227
4th	1983	244	925	1145	2049
5th	1984		751	1160	2535
6th	1985		530	1265	3360
7th	1986		1021	2251	4791
8th	1987		1421	3311	3791
9th	1988		1179	1622	2885
10th	1989		1920	2145	3584
11th	1990		1853	2078	3378
12th	1991		1735	1951	3261
13th	1992		1505	1736	3030

	LEASE SALE AREA	CLASSIFICATION	ORGANIZATION			PLANNING TOOLS				POPULATION (1976)	
			Planning and Zoning Commission	Professional Planning Staff	Coastal Resource District (7/77)	Coastal Management Program (anticipated date of adoption)	OCS Planning Study (including EDA Title IX)	Comprehensive Plan (date of publication)	Capital Improvements Program (date of publication)		Zoning Ordinance
MUNICIPALITY OF ANCHORAGE	Lower Cook Inlet (11) Gulf of Alaska (12) Kodiak Basin (13) Aleutian Shelf (14) Bristol Bay (15) Bering Sea - St. George Bering Sea - Norton Basin Chukchi Sea (17) Beaufort Sea (18)	Unified home rule boro.	☑	☑	☑	1979		1961(b)	1963	☑	175,603
Yakutat		First class city	☑		☑	1980(a)	☑	1976		☑	442
Cordova		Home rule city	☑		☑	1980(a)		1976		☑	2,406
KENAI PENINSULA BOROUGH		Second class borough	☑	☑	☑	1979	☑	1970	1967	☑	19,407
KODIAK ISLAND BOROUGH		Second class borough	☑	☑	☑	1980	☑	1968(c)		☑	7,901
Unalaska		First class city			☑	1978(a)		1977			510
Dillingham		First class city			☑	1980(a)		1970			1,176
BRISTOL BAY BOROUGH		Second class borough	☑		☑	1980		1966	1966	☑	1,147
City of St. Paul		Second class city				(a)					456
Nome		First class city	☑		☑	1980(a)		1968	1968		2,585
Kotzebue		Second class city	☑		☑	1980(a)		1971(d)	1975		2,431
NORTH SLOPE BOROUGH		Home rule borough	☑	☑	☑	1979		1973	1974		12,614

(a) Cities within the unorganized borough. Nearby areas in the unorganized borough may be affected by OCS development and may eventually be organized into coastal resource service areas. Coastal management plans for service areas may be adopted later than 1980.

(b) Comprehensive plan for the Municipality of Anchorage is being updated.

(c) Comprehensive plan updated for Port Lions in 1975 and for Near Island in 1974.

(d) Land use element of comprehensive plan for Kotzebue updated in 1976.

Figure 1

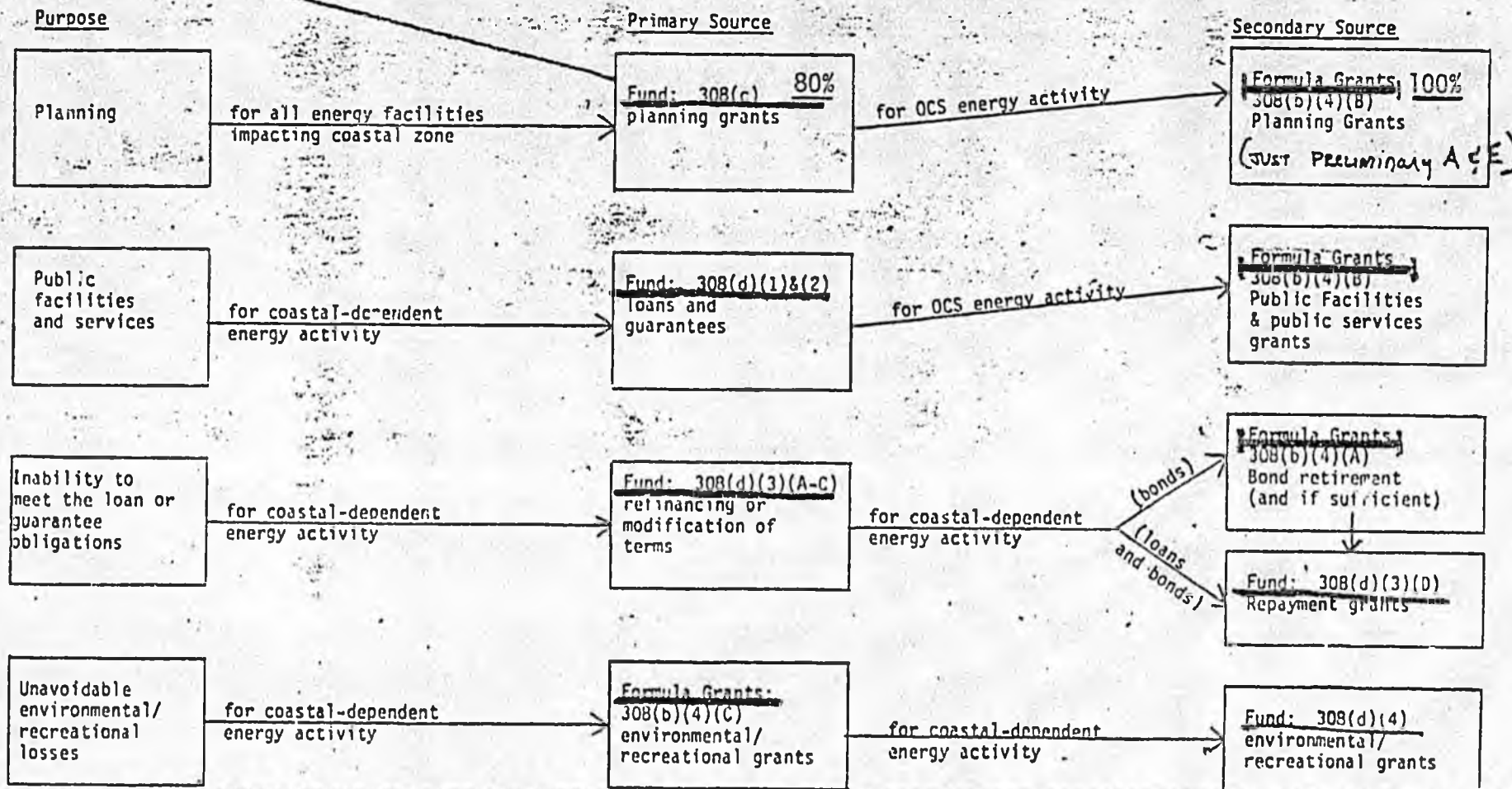
PLANNING CAPABILITIES

15% of \$3.5 million divided equally among 34 coastal states = approximately \$15,000

85% of \$3.5 million allotted on basis of need

Figure 1

PL 94-370 Coastal Energy Impact Program: Primary and Fund 308(c) Planning Grants



Formula Grants	308 (b)	U.S. \$ 10 million	AK: \$ 1,178,643
Credit Assistance ("Fund")	308 (d)(1), (2), (3)	110 "	48,612,973
Planning Grants	308 (c)	3.5 "	365,466
Environmental/Recreational Grants	308 (d)(4)	1.5 "	662,904

Exhibit 3

July 5, 1977

I. Summary of HB 219

The onshore facilities construction permit bill was proposed in the Tenth legislature - First session by representative Parr and eighteen others. It is designed to provide municipalities affected by offshore energy development with a means of exercising control over the location and public costs of OCS related onshore development.

Under the bill, each facility must obtain a permit prior to beginning construction. Permits cannot be issued without local approval from the municipality where the facility will be located. Thus, local units are given a bargaining tool which can be used to negotiate over the location and types of OCS related facilities. If negotiation fails to satisfy local needs, municipal denial of project approval will bar issuance of the permit and prevent construction of the facility in that municipality.

Permit fees generated under the bill are to be used to plan for and minimize the public costs of the OCS related onshore development. Fee amounts are proportionate to the projected impacts of the facility. (see table 1) At least 50% of the fees will go directly to the municipality where the facility is being built. An additional 45% of the fees will benefit the municipality in the form of state assistance.

This 45% of the fees will be allocated among state agencies and the municipality by DCRA according to their relative responsibilities for the provision of public facilities and services necessitated by the development. State assistance will be in forms of planning, legal expertise, and the direct provision of services such as education, transportation, and health care.

HB 219 proposes two alternative fee schedules. One measure of fees is based on population growth and the cost of government. The alternative measure is based solely on the value of the proposed development. For each facility, the formula producing the highest fee is used.

Using the valuation measure of fees, the amount of revenues produced by a development is related to the size of the proposed facility. Facility value is roughly predictable by the stages of the oil extraction process. During exploration, support facilities on shore will be valued at \$10 million or less. Based on a value percentage fee calculation, a \$10 million facility would pay \$250,000 in fees. (see table 1) If oil is discovered, shore processing facilities will have a much higher value. The very large processing facility at Valdez is valued at \$1.2 billion dollars. Fees for a facility that size would be \$6 million dollars. Although the scale of the terminal at Valdez represents the largest type of terminal which may be built to service offshore oil, it is obvious that processing facilities will generate large fees. Table 1 gives examples of fees produced by different sized production facilities.

(1) Preliminary planning for the consequences of new or expanded significantly energy facilities affecting the coastal zone, including

(i) analysis of government or private industry siting policies;

(ii) devising strategies for the public purchase of land or the establishment of other enforceable land-use controls for lands upon or near which energy development is to take place;

(iii) devising methods of protecting environmental resources, as defined in §931.72, threatened by the siting, construction, operation, or expansion of new or expanded energy facilities; or

(iv) conducting risk management studies, hazard analyses, emergency contingency planning and coordination studies, and assessment of mitigating measures for maintaining or improving public safety threatened by the siting, construction, expansion, or operation of new or expanded energy facilities.

(2) Planning for the consequences of a specific new or expanded energy significantly facility affecting the coastal zone, including

(1) study of and planning for economic, social, or environmental consequences of the siting, construction, expansion, or operation of a new or expanded energy facility such as

(A) increased population;

(B) changes in employment patterns, including those in fishing and tourism;

(C) changes in demand for public facilities, public services, and housing;

(D) local price inflation;

(E) changes in patterns of tax and user fee revenues or inter-governmental transfers;

(F) effects on fishing and tourism resources;

(G) effects on beaches, sand dunes, air quality, water quality, or other environmental or recreational resources;

(H) shoreline erosion;

(I) ecological effects; and

(J) effects on public safety.

(ii) conducting analyses required for state or local regulatory decisions related to energy facilities, including licenses, leases, permits, and zoning ordinances;

(iii) performing cost/benefit analyses or otherwise comparing the consequences of alternate energy facility sites or types;

(iv) devising strategies for recovering compensation from appropriate parties for any adverse effects caused by the energy facility involved;

(v) forecasting employment, population, public facility and public service needs and costs, and tax or user-fee revenues;

(vi) planning for the public facilities eligible for financing under Subpart E of this part;

(vii) study of and planning for the secondary consequences, including environmental and economic consequences, of alternative types and sites of public facilities eligible for financing under Subpart E of this part; and

(viii) study of and planning for the consequences of the phasing out of energy facilities.

(3) Carrying out projects necessary to administer assistance under Section 308, including;

(i) collecting data and analyzing information required in §§931.48 (a)(5) and 931.78(c)(4) for environmental impact assessment;

(ii) designing and carrying out an intrastate allocation process as described in Subpart J of this part; and

(iii) paying other reasonable costs of administering assistance under

July 5, 1977

House bill 219 provides an important boost to local preparation for OCS - onshore facilities. Developers are required to submit plans to the state three years in advance. This advance notice allows time for local assessment of the project and definition of a local policy in regardⁿ to the project. Advance reporting also requires the developer to disclose information which will assist municipal decision making.

Municipalities may use fees paid to cover planning and capital improvements costs. Independent legal assistance, land use and financial planners, and administrative assistance may be paid for out of these fees. Localities can use the planning process to control growth and establish a pattern for evaluating subsequent land use demands.

Status of the bill: HB 219 was not reported out of committee in the first session. Public hearings are being held to explain the bill and provide a channel for local input into the legislative process.

July 5, 1977

TABLE 1

REVENUES THAT THE FEES WILL GENERATE

EXPLORATORY STAGE

IF the facility is valued at \$5 million fee = \$100,000

IF the facility is valued at \$20 million fee = \$250,000

Most of the facilities built to service OCS exploration will cost \$10 million or less. The assessed value of the service base at Yakutat is \$5.5 million as of the first of 1977.

DEVELOPMENT AND PRODUCTION STAGE

IF the facility is valued at \$500 million fee* = \$2.5 million

IF the facility is valued at \$750 million fee = \$3.75 million

IF the facility is valued at \$1 billion fee = \$5.0 million

IF the facility is valued at \$1.2 billion fee = \$6.0 million

The oil terminal at Valdez will process 1.2 million barrels of oil per day and is valued at 1.2 billion dollars. If the largest possible find is made in the Northern Gulf, shore terminal capacity will need to be 650,000 barrels per day at a value of approximately \$800 million. Also a larger discovery in the Northern Gulf would require a Liquified Natural Gas terminal with one billion cubic feet per day capacity at a value of approximately one billion dollars.

*These fees for the production stage are calculated at a straight one half percent. If the developer failed to provide three year advance information, the fees would double.

MERITS OF HB 219

1. Places municipalities in the driver's seat for any OCS-related shoreside development.
2. Creates a land management tool which is applied statewide and thus is not a disincentive to development.
3. Provides money to finance costs of local planning not presently covered by CEIP or other grants.

SHORTCOMINGS OF BILL AS CURRENTLY WRITTEN

1. Local approval or veto of a proposed facility need not be consistent with existing local or State plans.
2. Standards for permit evaluation are not specified. No procedural or substantive rights of developers are enumerated or protected.
3. HB 219 is not tied to the Coastal Management Act and its requirements.
4. Three years advance notice of construction plans may not be feasible in all cases.

SUGGESTED IMPROVEMENTS

1. To limit potential arbitrary uses of local approval or veto of a proposed facility by:
 - a. Requiring municipal decisions to be consistent with existing and emerging plans and policies under the Coastal Management Act;
 - or b. Establishing decision guidelines in the bill to ensure that a municipal approval or veto is to protect the public welfare and is consistent with Coastal Management policies;
 - or c. Grant municipalities the power to suspend a permit application for one year while a Coastal Management program is written.

Each alternative should clarify the procedural rights of the developer.

2. Make the advance planning requirement more flexible so that developers will not be penalized by changes in their plans caused by forces beyond their control.

The views of this memo do
not reflect Departmental
Policy

TO: Members of House Committee
Community and Regional Affairs

DATE: August 9, 1977

FILE NO:

TELEPHONE NO:

FROM: Robert Shoaf
Summer Intern

SUBJECT: HB 219

Our critical examination of HB 219 focuses on two major topics:

- A. Local approval power
- B. Prior planning by developers

A. Local approval power

Local approval power and permit fees are the two major features of the onshore facilities construction permit. A permit will not be issued without local approval. Municipalities are not required to have planning and zoning in place to make this local decision. Areas that do exercise land use controls do not have to make their decision inconsistent with existing municipal plans and ordinances.

Regardless of how the permit is classified, the local approval power is regulatory in nature and should be designed to protect private property rights. Private property uses cannot be abridged by government unless the public intervention is reasonably related to public welfare. Traditionally, to prevent arbitrary public intervention in private land use, police power controls established standards for intervention (by planning and zoning) in advance.

The Division of Community Planning feels that local approval power in HB 219 is an essential tool which will enable municipalities to manage OCS onshore development. However, municipal decisions must be directed to protect the public welfare. Furthermore, HB 219 should be coordinated with coastal planning under the Coastal Management Act.

Three alternatives are available to remove the arbitrary nature of local approval.

1. Prior planning

OCS onshore facilities siting decisions will be made in the context of coastal planning under Alaska's Coastal Management Act. Local decisions under HB 219 should adhere to approval District Coastal Management Programs. In municipalities where no management programs have been written, local decisions should be in accordance with any existing land use controls and with the principles and emerging plans of the Coastal Management Act.

It is not certain that District Programs under CMA will produce the type of specific standards needed to guide local development decisions. Additionally, not every municipality may be able to afford adequate, on going planning.

2. Guidelines in HB 219

To guide local decisions and to prevent arbitrariness the legislature can incorporate guidelines for municipal decision making in HB 219. Because of the comprehensive mandate for coastal planning in the Coastal Management Act, these guidelines should mirror the policies of CMA.

Guidelines could require that municipal evaluation of a onshore facility construction proposal consider the environmental, social and economic impacts of the project. Approval of a project could issue when a City Council or Municipal Borough found that these impacts were manageable. For example, a municipality could base its decision in part, on whether or not the necessary supportive public facilities and services will be available when the development is completed.

Evaluation of a proposal will require detailed assessment of the proposal and its effects on a municipality. A third alternative is to structure a municipality's use of this assessment period so that local land use plans are produced to serve as a guide for the municipal decision.

3. Interim Planning

This alternative grants municipalities the power to suspend construction of an onshore facility for a reasonable time while District Coastal Management Programs are written and implemented. These programs would place the municipal decision in a more comprehensive framework than would the reliance on guidelines. Additionally, the municipal programs would serve as a guide for future management of OCS impacts, and as a basis for ongoing planning.

If a municipality chooses to approve a proposal without suspending construction pending implementation of a District Program, local approval should be based on positive findings that the impacts of the project are manageable.

In this alternative, HB 219 would only serve municipalities who have not yet written District Management programs.

B. Prior planning by developers

The requirement of three years advance notice of construction plans by developers (section 41.45.110, May 28, 1977 version) may not be feasible. Uncertainties not controlled by developers, such as Federal OCS leasing policies, may interfere with their ability to accurately project construction plans three years in advance.

When external factors dictate a change in plans for OCS onshore activities, developers should be able to change their plans without the excessive penalty of doubling the permit fee. To allow flexibility, the advance planning requirement might be reduced to two years, with changes in plans allowed with one years notice, unless waived by a municipality. Additionally, the Department of Community and Regional Affairs should determine what advance information is feasible in terms of progress of lease sales and exploration.

Statutory Language To Structure Municipal Decisions

Alternative 1: Prior planning

Local comp. plans

"Local approval or denial of a permit shall be in accord with existing or emerging Coastal Management Programs, policies and guidelines.

Alternative 2: Guidelines

"Local permit approval may be granted by a City Council or Borough Assembly if it finds:

- a. That the use will not materially endanger the public health or safety if located where proposed:
 1. That the municipal water supply will be of sufficient quality and quantity to meet the increased demand attributable to the facility;
 2. That the proposed use will not have an unreasonable impact of the coastal environment;
 3. That the necessary supportive public facilities and services will be available as the demand for them attributable to the facility increases;
 4. That associated land and water transportation will minimize degradation of waterfront uses.
- b. That the proposed facility is in accord with existing plans and regulations;
- c. That the use will not substantially injure the value of adjoining or abutting property, or is a public necessity;
- d. That the use will not unreasonably disrupt the social and economic well-being of the municipality. "

Alternative 3: Interim planning

HB 219 should specify whether the decision to utilize the moratorium or proceed immediately will be an administrative or legislative one.

Language to implement alternative three should be placed in a new section of the bill. The new section could state:

"Local Approval of an Onshore Facilities Construction Permit.

"When a developer of an OCS onshore facility requests local approval of its proposal, the municipal assembly or council shall meet to make one of two possible decisions.

"If the assembly finds that the project will be consistent with state and local plans then existing under Alaska's CMA [or consistent with enumerated standards], then local approval may be given.

"If the assembly finds that the proposal is not consistent with these guidelines [or will have a significant impact on coastal resources which is not adequately managed by present planning] or is not consistent with the local health, safety and welfare, then the assembly, by a majority vote, may choose to impose a two year moratorium on the proposal, during which time the municipality shall prepare a district coastal management program (See A.S. 46.35.030) to guide subsequent local decisions.

"If a municipality already has implemented a coastal management program, this section does not apply and the local permit decision shall be made in accordance with the policies and procedures of that plan.

"Once a moratorium is imposed, the municipality should contact the Department of Community and Regional Affairs to make arrangements to locate any funds needed for planning."

STATE OF ALASKA

DEPT. OF COMMUNITY & REGIONAL AFFAIRS

DIVISION OF COMMUNITY PLANNING

JAY S. HAMMOND, GOVERNOR

POUCH B - JUNEAU 99811

January 19, 1978

Where is Attachment?

The Honorable Lisa Rudd
Representative
Pouch V
Juneau, Alaska 99811

Dear Representative Rudd:

This evaluation of oil terminal and service base sites in Kodiak Island Borough represents a major step in the preparation for offshore oil development which may occur in the Western Gulf of Alaska. The Department of Interior's OCS Lease Schedule now proposes a federal sale off Kodiak Island to take place in October 1980.

The study itself embodies many "firsts" for Alaska. It is the first time the State has joined with a borough and a Native Regional Corporation to design, monitor and review a project of this type. In addition, it is the first time that petroleum company opinions concerning OCS site preferences and industrial needs were solicited and obtained in advance of a siting decision. And finally, it is the first time that the method of decision-analysis has been used to organize and integrate the viewpoints of many interest groups for the purposes of site evaluation.

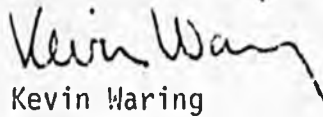
What is presented here is a useful working document providing basic description of sites considered, an evaluation of their development potential--advantages and disadvantages, and a ranking of the sites. The study suggests a way of thinking about site choices. We are advocating an approach to siting decisions that is firm as to purpose but flexibly open to alternative solutions. To accommodate the unknowns inherent in offshore oil exploration, several sites should be considered for future development, pending the outcome of exploratory activity.

Representative Lisa Rudd
January 19, 1978
Page 2

While no absolute decisions need to be made at this time, the Kodiak Island Borough through its land use planning powers, can reserve sites which reflect a balance of viewpoints, are capable of meeting oil company needs, suitable in terms of existing laws and policies, and available for development.

We hope that the approach taken and the findings are of interest to you.

Sincerely,

A handwritten signature in cursive script that reads "Kevin Waring". The signature is written in dark ink and is positioned above the printed name and title.

Kevin Waring
Director

January 10, 1978

Honorable Randy Phillips
House of Representatives
State of Alaska
Pouch V
Juneau, Alaska 99811

Dear Randy:

Enclosed is a draft of the ordinance you requested. As discussed, this is designed for introduction at the Borough level and should be understood that way.

Please call if we may further assist.

Sincerely,



Vincent O'Reilly, Mayor

VOR: sp

Enclosure

CC: Honorable Lisa Rudd
State of Alaska House of Representatives

City of Kenai

3000 580
0300 1000
KENAI ALASKA 99829
Telephone: 748-7500

"An ordinance providing for site planning and development permits and fees for the construction of major developments; industrial, commercial and residential and providing for an effective date."

BE IT ENACTED BY THE BOROUGH ASSEMBLY OF THE KENAI PENINSULA:

Section 1. ASSEMBLY FINDINGS AND DECLARATION OF PURPOSE:

(a) The assembly finds that major development activities; industrial, commercial, residential impact the coastal zone of the Kenai Peninsula; that site planning is essential to prevent degradation of our coastal zone and provide for effective use of the coastal zone; that major developments involve demands for public facilities and services which, initially, are beyond the capacity of local governments to provide; that early knowledge of the location and magnitude of anticipated development will better allow the Borough and local government to plan the provision of public facilities and services before and during the period of development; that the planning and provision of public facilities and services in advance of construction generates a temporary demand for additional revenues to defray costs associated with extra ordinary municipal expenditures; and that there is a need to provide mechanism by which the local governments may receive information about projected developmental activity as a basis for sound public planning decisions and to obtain financial support in order to partially defray the costs of planning and initiating provision of necessary public facilities and services.

(b) It is the purpose of this ordinance to provide a mechanism by which to ensure that the location, construction and operation of

major development; industrial, commercial, residential, will produce minimal adverse effects upon the people of the Borough and affected local governments by providing for the exchange of information between parties involved and that the increase in demand for public services occurring as a result of development will be met by a contribution of revenue from the development responsible for the increase in demand.

Section II. SITE PLAN APPROVAL AND DEVELOPMENT PERMIT:

(a) No person shall proceed with a major development of the value, on completion, of more than one (1) million dollars without first applying for and securing from the Borough Planning Commission a site plan and development approval and paying the fee provided in Section III of this chapter.

(b) An applicant for site plan approval and development permit under this section shall file an application with the Borough Planning and Zoning department in a form which the Borough Planning and Zoning Commission and Assembly, by regulation, have prescribed. The application shall contain the following information:

- (1) a description of the location and of the facility to be built at the location;
- (2) an estimate of the value of the facility upon its completion;
- (3) a summary of any studies or reports which have been made examining the economic impact of the construction and operation of the facility on the region; including, but not limited to, the applicant's estimate of the number of persons to be employed in the construction and operation of the facility during each year of the five-year period commencing with the submission of the application;

(4) a statement explaining the need for the facility;

(5) a description of any reasonable alternate locations for the proposed facility, a statement of the comparative merits and detriments of each location identified, and a statement of why the primary proposed location is best suited for the facility;

(6) any additional information which the department, by regulation, may require in order to fairly evaluate:

- A. conformance of the proposed facility to applicable local laws and regulations;
- B. the effects of the economic activity of the proposed facility on a municipality or service district within a twenty (20) mile radius of the proposed site(s);
- C. the effects of the proposed facility on the public health, welfare and safety;
- D. the capacity of the Borough and of municipalities affected by the proposed facility to provide necessary public facilities and services;

(7) any additional information which the applicant considers relevant.

(c) An application filed with the department shall be available for public inspection.

(d) An application shall be accompanied by proof of service of a copy of the application to the mayor or approved administrative official of each City or service district within a twenty (20) mile radius of a site at which any portion of the facility is to be located, both as primarily and alternatively proposed.

(e) The department may, by order entered after filing, require the applicant to serve notice of the application, and file proof of notice, on other persons as the department considers appropriate.

(f) The Borough Planning and Zoning Commission shall approve or deny the permit within 180 days of full and complete filing of permit application, including fees, except that on request of applicant, period of review may be extended up to an additional 360 days.

(g) The department shall require cities or service districts served with copies of permit application to recommend approval or disapproval of the permit within 120 days of service. No response shall be accepted as an approval of the application as it relates to that municipality or service district.

Section III. PERMIT FEE:

(a) At the time of filing an application for a permit under Section II of this chapter, the applicant shall pay a permit fee to the Borough Department of Finance.

(b) The fee payable under this section will be based upon the valuation of the proposed facility upon completion, with payment of two per cent (2%) of the estimated value up to \$5,000,000; plus one per cent (1%) of the estimated value over \$5,000,000 and up to \$20,000,000; plus one-half of one per cent (.5%) of the estimated value over \$20,000,000;

Section IV. APPEAL OF FEE:

(a) A city or service district which is within a twenty (20) mile radius of the development site may be entitled to receive a

portion of a site plan and development fee paid by an applicant under this chapter may appeal the determination of the amount of the fee. The governing body of the City or service district shall, within 30 days of receipt of written notice that an application has been submitted and a fee paid, file an appeal with the department setting out the reasons why it believes the fee paid has not been correctly computed.

(b) If a City or service district appeals the determination of the fee paid under (a) of this section, the director of the department shall, within 45 days after giving written notice to all parties, conduct a hearing on the matter. If, after the hearing, the director determines that the fee payable by the applicant has been incorrectly computed, he shall provide the applicant a written statement describing the error in computation and indicating the amount of the fee due. The applicant shall pay the additional amount of the fee within 30 days of receipt of the decision of the department director.

Section V. AMENDMENT OF PERMIT:

(a) A permit issued by the department under Section III of this Ordinance may be amended. An application for an amended permit shall be submitted in the manner provided for new applications in Section II of this Ordinance. If an amendment to an approved permit would result in a substantial change of an original permit, the amendment shall be treated as a new application and a supplemental permit fee shall be paid.

(b) If it appears to the director or to officials of a city or service district within a twenty (20) mile radius of the development site which may be entitled to receive a portion of a permit fee under this chapter that there will occur substantial change in the use of the facility from the activity described in the original application or an amended application for a permit, the director may call for a public hearing on the question. The director shall, within 45 days after giving written notice to all parties, conduct a hearing on the matter. If, after the hearing, the director determines that there has been substantial change in the use of the facility from the activity described in the original or amended application for an amended permit, he shall require the applicant to submit an application for an amended permit.

(c) An amended permit submitted by an applicant under an order of the director entered under (b) of this section shall be accompanied by payment of the increment in the fee due, together with a penalty payment of 10 per cent (10%) of the total amount of permit fees due for the facility.

(d) For purposes of this section, a change in the use of the facility for which a permit has been issued is "substantial" if the applicant or the director determines that the value of any changes or improvements in the facility would increase the estimated value of the facility by more than ten per cent (10%).

Section VI. REFUSAL OF PERMIT:

(a) The Borough Planning Commission, after public hearing, may refuse to issue a permit and approve the site plan, as presented or modified if it finds that:

- (1) The proposed site and development plan is not consistent with the approved Coastal Zone Management Plan.
 - (2) A fee due and payable by the applicant on an original application or amended application has not been paid.
 - (3) A city or service district with a twenty (20) mile radius can demonstrate that the development will adversely affect the quality of life or is in violation of local law.
 - (4) The concept of development is inconsistent with other established development in the immediate area.
 - (5) The concept of development is inconsistent with or detrimental to public health, safety and welfare.
- (b) On denial of permit, fees paid shall be refunded to applicant less five per cent (5%) for administrative costs without interest.

Section VII. REVOCATION OR SUSPENSION OF PERMIT:

(a) The department may revoke or suspend a permit issued under the provisions of this chapter if:

- (1) The facility does not conform, in location, construction or operation, to the details of the approved site plan; or
- (2) after notice and hearing to all parties, the Director determines that an additional fee is due and payable under Section IV(b) of this chapter or an additional fee and penalty are due and payable under Section V(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.

Section VII. DISPOSITION OF FEES AND PENALTIES:

(a) The Borough Department of Finance shall retain five per cent (5%) of the fees and penalties collected under this Ordinance to defray the costs of receipt, review of applications for permits and for the enforcement of the provisions of this chapter. Not more than thirty per cent (30%) of the fee shall be apportioned to a city or service district or combination thereof in which the proposed development is to be located or which are in a twenty (20) mile radius for operational expenses. The remaining sixty-five per cent (65%) or more shall be apportioned to a City or service district or combination thereof in which the proposed development is to be located or which are in a twenty (20) mile radius for capital improvements. Such capital improvement apportionments will be specific and funds so apportioned will be so dedicated. Determination of the amount(s) transmitted to a municipality or service district shall be subject to negotiation between the Department of Planning and Zoning and any affected cities or service districts relative to services provided and anticipated impact.

Section IX. MONITORING OF DEVELOPMENT:

(a) The department shall review and monitor the operation of all development for which a permit has been issued under this chapter.

Section X. PENALTIES FOR VIOLATION OF PROVISIONS OF THIS CHAPTER:

(a) A person who wilfully violates a provision of Sections I through IX of this chapter or any regulation adopted by the department under this chapter is guilty of a misdemeanor and, upon conviction, is punishable by a fine of not more than \$1,000.00 for each violation. Each day of a continuing violation constitutes a separate offense.

(b) At the request of the director, the Borough attorney shall enforce this chapter and institute legal actions to accomplish its enforcement.

Section XI. DEFINITIONS:

In this chapter, unless the context otherwise requires:

- (1) "Director" means the Director of the Department of Planning and Zoning.
- (2) "Department" means the Department of Planning and Zoning.

Section XII.

This ordinance shall take effect on passage in accordance with law.

STATE OF ALASKA

DEPT. OF COMMUNITY & REGIONAL AFFAIRS

DIVISION OF LOCAL GOVERNMENT ASSISTANCE

JAY S. HAMMOND, GOVERNOR

POUCH B -- JUNEAU 59311

October 20, 1977

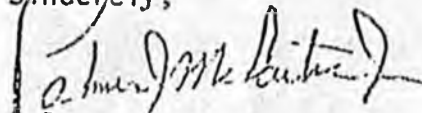
Dear State Legislator:

Enclosed is the department's new regulation implementing the Coastal Energy Impact Program (CEIP). The CEIP is a federal grant and loan program designed to help coastal states and communities deal with the impacts of energy development.

Under the CEIP the state is given the primary responsibility for administration with the federal CEIP office providing technical assistance and funding. On April 4, 1977, Governor Hammond designated DCRA as the lead agency for the CEIP. Accordingly, DCRA has assumed the responsibility of preparing the federally mandated intrastate allocation process required to implement and administer this program. Local government officials and interested state agency personnel helped draft the guidelines that implement this process and we expect these parties to continue to be active in guiding this program.

This allocation process and the criteria used to rank applications has undergone a great deal of public scrutiny and will be subject to periodic revision. We feel that much will be learned in the initial year of operation and therefore we need the flexibility to go back and revise the CEIP application process to make it a more workable and useful program. Public input on any proposed changes will be encouraged and in some cases changes will probably be initiated by eligible CEIP applicants or other interested parties. The adoption of this regulation will afford us the flexibility to make needed changes to insure the maximum benefit from this program.

Sincerely,


Palmer McCarter
Director

DEPARTMENT OF COMMUNITY AND
REGIONAL AFFAIRS

Notice of Proposed Changes in the Regulations of the
Department of Community and Regional Affairs

Notice is hereby given that the Department of Community and Regional Affairs, under authority vested by AS 44.47.160, proposes to adopt regulations in Title 19 of the Alaska Administrative Code to implement AS 44.47.050(14), as follows:

(1) Chapter 17 is created by adding new provisions as follows:

Section 10 - Coastal Energy Impact Program

19 AAC 17.010. Loans and grants shall be made in accordance with the provisions of this Department's "Coastal Energy Impact Program Policy Guidelines". Copies of the "Coastal Energy Impact Program Policy Guidelines" are available from the Department of Community & Regional Affairs, without cost.

Authority: AS 44.47.050 (14)
AS 44.47.100

Notice is also given that any person interested may present written statements or arguments relevant to the action proposed at Room 209, Community Building, Juneau, Alaska, before 4 o'clock p.m. on November 18, 1977.

Copies of the proposed regulation may be obtained by writing to: CEIP Coordinator, LGAD, Pouch B, Juneau, Alaska 99811.

The Department, upon its own motion or at the instance of any interested person, may thereafter adopt the proposals substantially as described above without further notice or may decide to take no action on them.

DATE: October 14, 1977

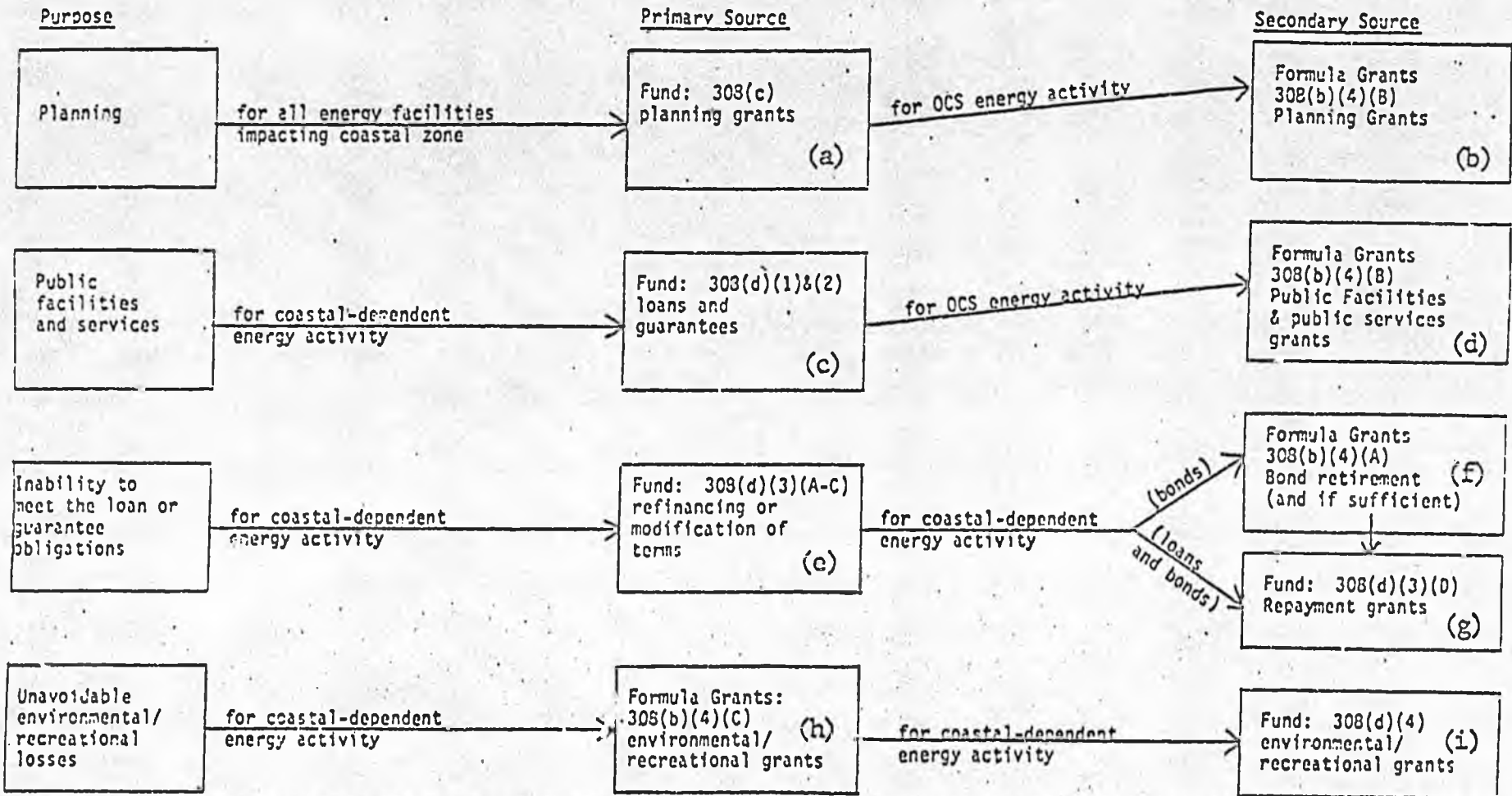
/s/ Lee McAnerney

Commissioner

CEIP FEDERAL ALLOTMENTS TO ALASKA FOR FY'77

Figure 1

PL 94-370 Coastal Energy Impact Program: Primary and Fund 308(c) Planning Grants



Square (a) Fund Planning Grants -- 308(c) 80% Fed./ 20% Local/State	Alaska Allotment	\$ 365,466
Squares (b)(d)(f)(h) Formula Grants -- 308(b) 100% Fed.	Alaska Allotment	1,178,643
Squares (c)(e)(g) Credit Assistance ("Fund") 308(d)(1),(2),(3) 100% Fed.	Alaska Allotment	48,612,973
Square (i) Environmental/Recreation Grants 308(d)(4) 100% Fed.	Alaska Allotment	662,904

STATE OF ALASKA
THE LEGISLATURE

POUCH Y - STATE CAPITOL
JUNEAU, ALASKA 99811
907-465-3800

LEGISLATIVE AFFAIRS AGENCY

MEMORANDUM

November 1, 1977

SUBJECT: House Bill 219, establishing a program of shore facilities building permits as a means of providing financial assistance to municipalities adversely affected by outer continental shelf activity.

TO: Representative Lisa Rudd

FROM: John B. Chenoweth
Legislative Counsel

You have asked for an interim review of state and federal action relative to financial assistance to local governments affected by continental shelf petroleum exploration and development, with a view toward considering the relationship between state and federal action and modification, revision or other action with respect to HB 219. What follows is divided into two parts to facilitate your review.

STATE ACTION

Since adjournment, Governor Hammond has signed into law the state's Coastal Management Act (Ch. 84, SLA 1977), and appointed the nine public members to serve on the coastal policy council.

Anticipating the first allocation of federal financial assistance in the form of grants and federal credit assistance under various subsections of the federal coastal energy impact program, sec. 308 of the federal Coastal Zone Management Act of 1972, the Department of Community and Regional Affairs has been active in the preparation of the necessary intrastate allocation process required by sec. 308(g)(2) of that Act.

The allocation process proposed by the department takes the form of policy guidelines for the implementation of the Coastal Energy Impact Program. With this memo is a copy of the policy guidelines in draft form together with a 20-page narrative describing the process. As I mentioned to you, I

believe, when you were in Juneau prior to Labor Day, the department has had a workshop on the draft with local government officials and had allowed until September 9th, to receive further comment. Thereafter, the department proposes to make necessary revisions in the guidelines and adopt them as the basis by which to evaluate applications for financial assistance.

I believe I also informed you that, in my opinion, the department has failed to proceed in the manner required by the state's Administrative Procedure Act in that it has not followed the process required for the adoption of administrative regulations for the program. The Department of Law has since informed Community and Regional Affairs that it should comply with the state's Administrative Procedure Act and, to that end, the Department has proposed the adoption of a one-section regulation incorporating the guidelines by reference.

The flow of financial assistance to Alaska under section 308 of the Federal Coastal Zone Management Act should commence very shortly. The Coastal Energy Impact Program provides five basic types of assistance: planning grants, environmental grants, development grants, credit assistance and repayment assistance. Alaska is due to receive an allotment of funds in each category based on its share of nationwide coastal energy development. The department has provided these figures by way of anticipated FY 77 receipts:

1. Planning Grants are available on an 80 percent federal/20 percent non-federal basis to help prepare for the consequences of all new or expanded energy activity in the coastal zone. Planning grants can be used to study and plan for the economic, environmental, or social impact due to the siting, construction, expansion or operation of energy facilities. Alaska has been allotted a total of \$365,466 for this purpose for FY 77.
2. Environmental Grants, available on a 100 percent federal basis, are intended to prevent, reduce or repair damage to or loss of the valuable environmental or recreational resources due to coastal energy activity. Environmental grants may be used for impacts resulting from previous coastal energy activity which cannot be attributed to any one party. Alaska has been allotted \$662,904 for this purpose for FY 77.

3. OCS Related Facility Grants, also called formula grants, are available on a 100 percent federal funding basis to plan for, mitigate the impacts of, and develop public facilities and services as a result of OCS related energy facility development. These funds may be expected to be the primary source of assistance to help municipalities prevent the unavoidable loss of environmental or recreational resources. A loss is unavoidable when the cost of prevention or repair cannot be assessed to a responsible party. Alaska has been allotted \$1,178,643 in this category for FY 77.

4. Credit Assistance is available in the form of direct loans or guarantees of loans or bonds for the purpose of providing new or improved public facilities and services required as a result of coastal energy activity. Also available by way of such is repayment assistance, available to eligible applicants who cannot meet credit obligations because an anticipated revenue failed to materialize. Alaska has been allotted \$48,612,973 for both credit and repayment assistance for FY 77.

CONGRESSIONAL INITIATIVES

US Senate-adopted legislation (S 9) and legislation offered in the House of Representatives (HR 1614) remain under study in House committee, with no likelihood of final adoption of either before year end.

The Senate-adopted legislation (S 9), entitled the Outer Continental Shelf Lands Management Act of 1977, amends the Coastal Energy Impact Program portion of the 1976 Coastal Management Act amendments

(1) by eliminating the requirement in sec. 308(b)(4)(i) that all loan and bond guarantee resources shall have been exhausted for formula grant projects and programs resulting from Outer Continental Shelf energy activity -- presumably allowing states the use of formula grant funds for new or improved public facilities and services without regard to examination of adequacy of alternative funding sources;

(2) by eliminating a requirement that such facilities and services be needed because of "new or expanded" activity in order to qualify for support -- opening the door to financial support for the resultant community impact caused by additional activities in conjunction to an existing plant or facility; and

(3) by increasing the funding authorization level by \$25,000,000 annually after federal FY 77 which, if funded, should increase revenues available to Alaska: in this regard, the Coastal Management Office, Division of Policy Development and Planning, has offered the following projected revenue figures for Alaska:

(Federal)	FY 78	\$ 5,000,000
	FY 79	7,050,000
	FY 80	8,750,000
	FY 81	22,320,000
	FY 82	21,820,000
	FY 83	14,920,000
	FY 84	15,170,000

for a total of \$95 million dollars anticipated through the seven-year period.

Less certain, at least at the time the information was provided to me, is the course of HR 1614, in part because of the complexities of the amendatory language being proposed, and in part because of a change proposed in the manner of calculating assistance under the applicable formula. A computer run of the estimated payout to coastal states under the language of HR 1614 suggests payment of under \$60 million to Alaska through the period. House consideration is complicated by the proposal of an amendment by Representative Breaux and others to change key portions of HR 1614 with respect to the operable formula, making the Coastal Energy Impact Program more nearly a "revenue sharing" assistance program not coupled to payment based upon oil and gas leases or oil and gas landed. Apparently the general revenue sharing approach is gaining some favor among the members of Congress; the Carter administration apparently remains opposed in principle. The committee considering the legislation did ask adoption of the Breaux amendments by way of request of the Rules Committee that the bill be scheduled for floor action; there was a move to table until next year (second session), and there will be no further action until January.

Representative Lisa Rudd
Page 5
November 1, 1977

A copy of the bill, bearing the amendments offered in committee, is forthcoming from the Congressional Liaison, Office of Coastal Zone Management, in Washington, DC.

JBC:jpd

Enclosure

Testimony - Municipal Convention

Lynn Crystal - Valdez

how did Valdez spend 5 million?

- sewer & water system
- school construction
- tight \approx housing and schools - called short-term
- plane schedules were tight
Polar Airlines
- shortages in grocery
- areas of town were not paved
- heavy truck traffic did tear-up the roads

FAVORS loan from GF
[- should ~~not~~ be state impact money -
- short-term impact GF

- municipality controls permit approval
- this speaks to known impacts the bill

does not dispute that impacts do take place

Valdez opposes the add'l layer of gov't by not allowing

Valdez did sell revenue bonds to oil companies @ sale total of \$12 million - now in permanent 20 mil tax - 6.6 million

Valdez operating budget > 10 million
& school

DAVID Moffet - Petersburg -
strongly support Valdez in opposing as
a "no growth bill"

- check file for Petersburg mayor's letter to Hugen - M. Theodore Smidt
- no council action

Kodiak Island Borough - Betty Wallin
mayor -

- water control
- money for impact studies
- do have planning & zoning
- did a survey - 2,000 - 25% return
send copy of goals & objectives of Kodiak
Island Borough

* - Additional effort to get Kenai IMPUT

Carlson - FBKS. N.S. Borough

- couldn't get oil companies to tell her the impacts
- found that projections fluctuated enormously
- questions the purpose of the bill in requiring explanation & need for facility - he feels the need is obvious (i.e. OCS = need facility)
- revised penalty for underestimation
requests reevaluation of

STATE OF ALASKA

DEPT. OF COMMUNITY & REGIONAL AFFAIRS

DIVISION OF LOCAL GOVERNMENT ASSISTANCE

JAY S. HAMMOND, GOVERNOR

POUCH B - JUNEAU 59311

October 20, 1977

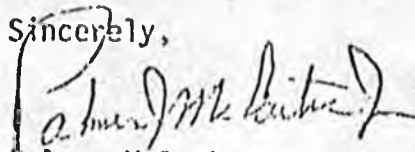
Dear State Legislator:

Enclosed is the department's new regulation implementing the Coastal Energy Impact Program (CEIP). The CEIP is a federal grant and loan program designed to help coastal states and communities deal with the impacts of energy development.

Under the CEIP the state is given the primary responsibility for administration with the federal CEIP office providing technical assistance and funding. On April 4, 1977, Governor Hammond designated DCRA as the lead agency for the CEIP. Accordingly, DCRA has assumed the responsibility of preparing the federally mandated intrastate allocation process required to implement and administer this program. Local government officials and interested state agency personnel helped draft the guidelines that implement this process and we expect these parties to continue to be active in guiding this program.

This allocation process and the criteria used to rank applications has undergone a great deal of public scrutiny and will be subject to periodic revision. We feel that much will be learned in the initial year of operation and therefore we need the flexibility to go back and revise the CEIP application process to make it a more workable and useful program. Public input on any proposed changes will be encouraged and in some cases changes will probably be initiated by eligible CEIP applicants or other interested parties. The adoption of this regulation will afford us the flexibility to make needed changes to insure the maximum benefit from this program.

Sincerely,



Palmer McCarter
Director

DEPARTMENT OF COMMUNITY AND
REGIONAL AFFAIRS

Notice of Proposed Changes in the Regulations of the
Department of Community and Regional Affairs

Notice is hereby given that the Department of Community and Regional Affairs, under authority vested by AS 44.47.160, proposes to adopt regulations in Title 19 of the Alaska Administrative Code to implement AS 44.47.050(14), as follows:

- (1) Chapter 17 is created by adding new provisions as follows:

Section 10 - Coastal Energy Impact Program

19 AAC 17.010. Loans and grants shall be made in accordance with the provisions of this Department's "Coastal Energy Impact Program Policy Guidelines". Copies of the "Coastal Energy Impact Program Policy Guidelines" are available from the Department of Community & Regional Affairs, without cost.

Authority: AS 44.47.050 (14)
AS 44.47.100

Notice is also given that any person interested may present written statements or arguments relevant to the action proposed at Room 209, Community Building, Juneau, Alaska, before 4 o'clock p.m. on November 18, 1977.

Copies of the proposed regulation may be obtained by writing to: CEIP Coordinator, IGAD, Pouch B, Juneau, Alaska 99811.

The Department, upon its own motion or at the instance of any interested person, may thereafter adopt the proposals substantially as described above without further notice or may decide to take no action on them.

DATE: October 14, 1977

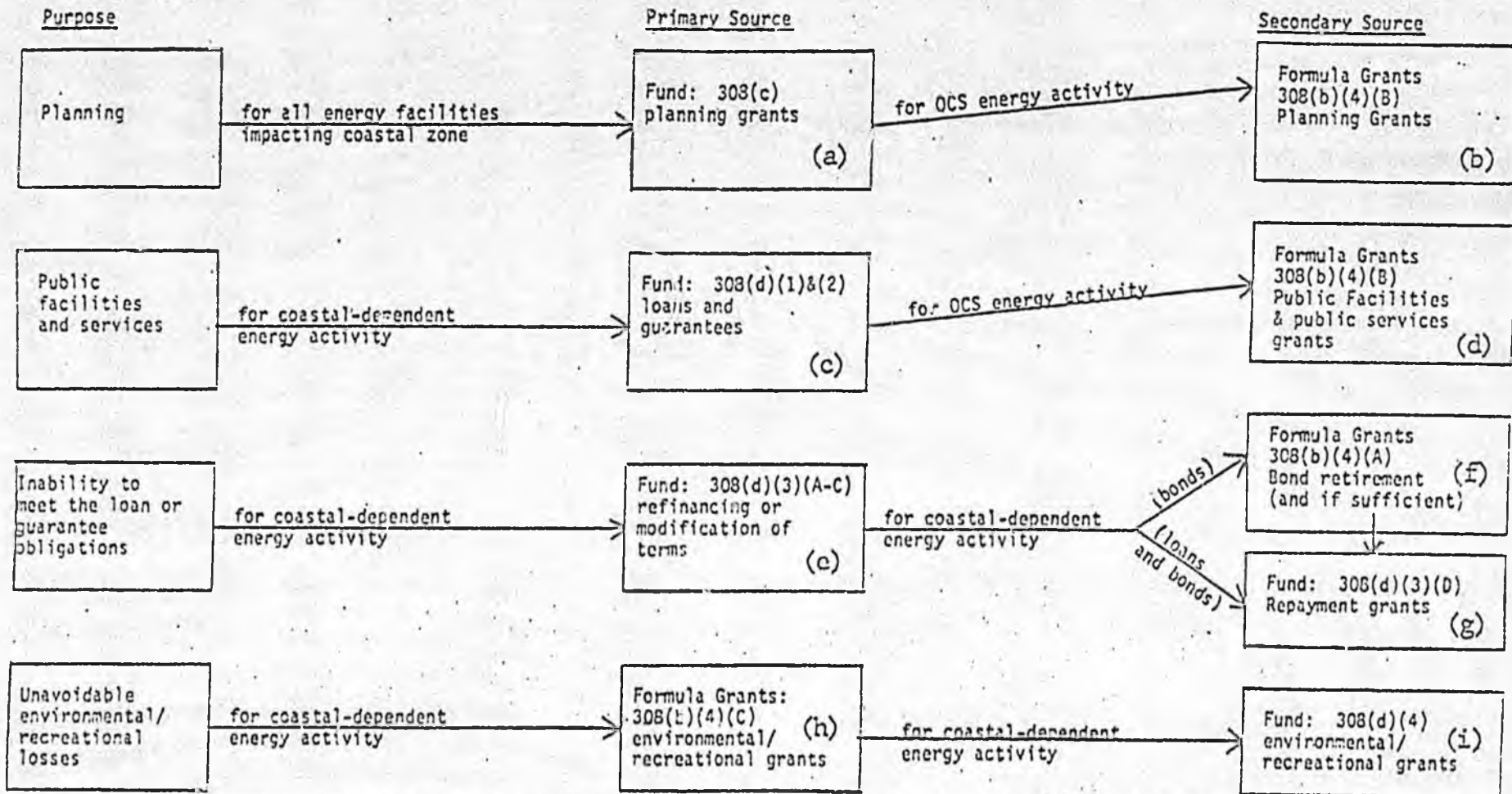
/s/ Lee McAnerney

Commissioner

CEIP FEDERAL ALLOTMENTS TO ALASKA FOR FY'77

Figure 1

PL 94-370 Coastal Energy Impact Program: Primary and Fund 308(c) Planning Grants

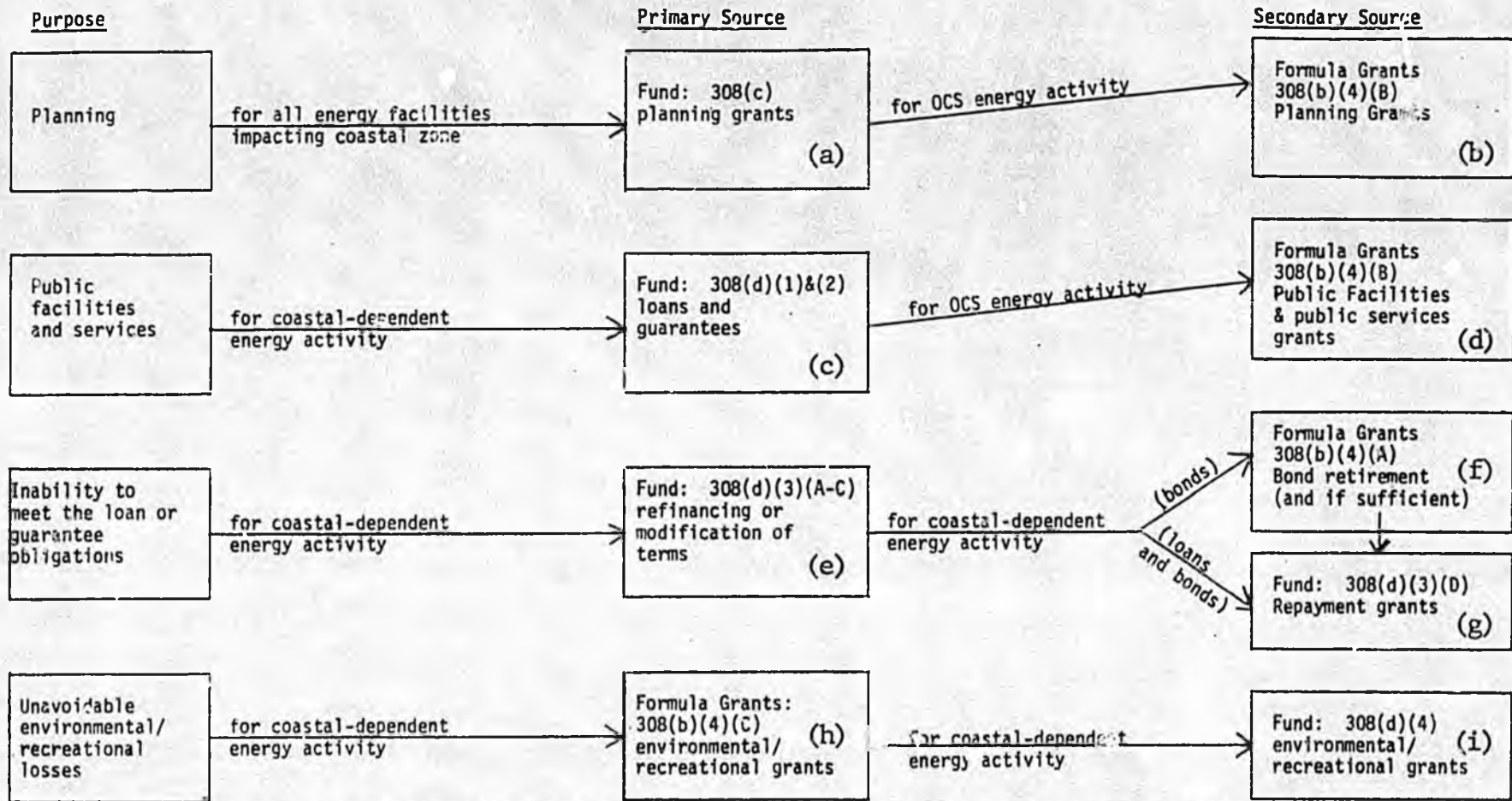


Square (a) Fund Planning Grants -- 308(c) 80% Fed./ 20% Local/State	Alaska Allotment	\$ 365,466
Squares (b)(d)(f)(n) Formula Grants -- 308(b) 100% Fed.	Alaska Allotment	1,178,643
Squares (c)(e)(g) Credit Assistance ("Fund") 308(d)(1),(2),(3) 100% Fed.	Alaska Allotment	48,612,973
Square (i) Environmental/Recreation Grants 308(d)(4) 100% Fed.	Alaska Allotment	662,904

CEIP FEDERAL ALLOTMENTS TO ALASKA FOR FY'77

Figure 1

PL 94-370 Coastal Energy Impact Program: Primary and Fund 308(c) Planning Grants



Square (a) Fund Planning Grants -- 308(c) 80% Fed./ 20% Local/State	Alaska Allotment	\$ 365,466
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STATE OF ALASKA

DEPT. OF COMMUNITY & REGIONAL AFFAIRS

DIVISION OF COMMUNITY PLANNING

JAY S. HAMMOND, GOVERNOR

POUCH B - JUNEAU 99811

October 6, 1977

The Honorable Lisa Rudd
2827 Lore Road
Anchorage, Alaska 99507

Dear Lisa:

Enclosed are the materials on House Bill 219 which Rob Shoaf and I presented to the Community and Regional Affairs Committee in August. The materials are marked as Exhibits 1 through 8 and do not at this time represent departmental policy on this bill. The exhibits are summarized in the following paragraphs.

Exhibit 1. This exhibit shows the onshore and offshore employment assumptions used by this Department to forecast total OCS-related employment in the Northern and Western Gulf of Alaska. Also included are current population estimates for those coastal cities likely to be affected by exploration and commercial development of offshore petroleum resources. Please note that while none of the individual activities employ large numbers of people, the numbers of new jobs assumed would significantly contribute to the population of small cities which might be affected.

Exhibit 2. Exhibit 2 indicates the planning capabilities of those cities and boroughs which may be affected by leasing and development of offshore areas near their jurisdiction. While most of the municipalities have a planning and zoning commission, very few actually have a professional planning staff.

Exhibit 3. Exhibit 3 lists the loans and grants available through the Coastal Energy Impact Program (CEIP). Available are planning grants, formula grants and credit assistance. All planning grant money must be used before formula grants become available. Planning grant requires a 20 percent match by local communities. The twenty percent match required could be financed through OCS permit fees.

Exhibit 4. Exhibit 4 lists the types of planning activities which can be funded through the CEIP program. Please note that CEIP funds are not currently available to finance the cost of negotiating with a potential developer or handling increased administrative costs resulting from rapid growth.

Exhibit 5. Exhibit 5 is a summary of the most recent version of House Bill 219. It contains a table which estimates the hypothetical revenues that would be generated from the proposed fee schedule.

Exhibit 6. Exhibit 6 is a brief outline of the merits of House Bill 219, its shortcomings as it is currently written, and suggested improvements which might be considered by the Committee.

Page 2
The Honorable Lisa Rudd
October 6, 1977

Exhibit 7. Exhibit 7 is Rob's critical examination of two areas in the bill which he thinks may need further revision: local approval power and prior planning by the developer.

Exhibit 8. Exhibit 8 suggests examples of statutory language which might minimize problems raised in Exhibit 7.

I hope this information is useful to you and the Committee members. As I told you during our last meeting, I will be available to discuss the bill at the November Municipal League Meeting, or at another time if more convenient.

Looking forward to speaking to you soon.

Sincerely yours,

Lois

Lois Kramer
Planning Supervisor

LK/sv

Enclosures

ONSHORE EMPLOYMENT ASSUMPTIONS

Category	Employment
Rig Service.....	25 per rig
Platform Service: Installation.....	100 per platform
Drilling.....	80 per platform
Production.....	40 per platform
Administration.....	15 per rig 40 per platform
Service Bases.....	15 per berth
Oil Terminals: 250,000 b/d.....	150 per terminal
350,000 b/d.....	200 per terminal
450,000 b/d.....	250 per terminal
600,000 b/d.....	300 per terminal
LNG Plants: 1 billion cu.ft./d.....	200 per terminal
1.6 billion cu.ft./d.....	300 per terminal

Offshore Employment Assumptions

Operation	Number of Jobs/Activity
Rig.....	115
Platform: Installation and Hook-up.....	300
Drilling.....	250
Production.....	140
Lay-barge.....	250
Bury-barge.....	100

Construction Employment Assumptions

ONSHORE FACILITY		NUMBER OF JOBS			
		YEAR 1	YEAR 2	YEAR 3	YEAR 4
Service Base	2 berth	75	150		
	3-4 berth	100	200		
	4 berth	125	250		
Oil Terminal	250,000 b/d	150	600	1,200	300
	350,000 b/d	200	800	1,500	500
	450,000 b/d	200	1,000	1,900	600
	600,000 b/d	300	1,200	2,300	700
LNG Plant	1 billion cu.ft./d	300	1,300	2,500	800
	1.6 billion cu.ft./d	500	2,000	4,000	1,200

POPULATION OF CITIES

Yakutat	442
Cordova	2,406
Seward	1,823
Homer	1,538
Seldovia	612
Kodiak	4,960
Unalaska	510
Dillingham	1,176
City of St. Paul	456
Nome	2,585
Kotzebue	2,431
Barrow	2,307

TOTAL DIRECT AND INDIRECT EMPLOYMENT: NORTHERN GULF

YEAR	NO FIND	MODERATE FIND		HIGH FIND	BOHANZA
		NO PIPELINE	PIPELINE		
1976	240	240	240	240	240
1977	670	905	906	1123	1251
1978	905	1790	1790	1900	2155
1979	477	1366	1366	2843	3677
1980	249	1366	1669	3540	4745
1981		906	2336	4375	6140
1982		953	3242	5705	6681
1983		1353	2691	5218	9305
1984		2060	2360	7348	11,302
1985		2623	2923	8899	13,728
1986		2439	2739	6401	9622
1987		2299	2599	5349	8248
1988		2069	2169	4887	7803
1989		1838	2138	4173	6918
1990		1585	1885	3671	5840

TOTAL DIRECT AND INDIRECT EMPLOYMENT: WESTERN GULF

YEAR AFTER LEASE SALE	YEAR	NO FIND	MODERATE FIND		HIGH FIND
			NO PIPELINE	PIPELINE	
1st	1980	239	321	322	322
2nd	1981	454	834	834	1181
3rd	1982	669	1337	1447	2227
4th	1983	244	925	1145	2049
5th	1984		751	1160	2535
6th	1985		530	1,265	3360
7th	1986		1021	2251	4791
8th	1987		1421	3311	3791
9th	1988		1173	1622	2885
10th	1989		1920	2145	3584
11th	1990		1853	2078	3378
12th	1991		1735	1961	3261
13th	1992		1505	1730	3030

	LEASE SALE AREA			CLASSIFICATION	ORGANIZATION			PLANNING TOOLS			POPULATION (1976)		
	Lower Cook Inlet (11)	Gulf of Alaska (12)	Kodiak Basin (13)		Planning and Zoning Commission	Professional Planning Staff	Coastal Resource District (7/77)	Coastal Management Program (anticipated date of adoption)	OCS Planning Study (including EDA Title IX)	Comprehensive Plan (date of publication)		Capital Improvements Program (date of publication)	Zoning Ordinance
MUNICIPALITY OF ANCHORAGE	☑	☑	☑	☑	☑	☑	☑	1979	1961(b)	1963	☑	175,603	
Yakutat	☑				☑			1980(a)	☑	1976		442	
Cordova	☑				☑			1980(a)		1976	☑	2,406	
KENAI PENINSULA BOROUGH	☑	☑	☑		☑	☑	☑	1979	☑	1970	1967	☑	19,407
KODIAK ISLAND BOROUGH		☑			☑	☑	☑	1980	☑	1968(c)		☑	7,901
Unalaska		☑	☑				☑	1978(a)		1977			510
Dillingham			☑				☑	1980(a)		1970			1,176
BRISTOL BAY BOROUGH			☑		☑		☑	1980		1966	1966	☑	1,147
City of St. Paul			☑					(a)					456
Nome					☑		☑	1980(a)		1968	1968		2,585
Kotzebue					☑		☑	1980(a)		1971(d)	1975		2,431
NORTH SLOPE BOROUGH					☑	☑	☑	1979		1973	1974		12,614

(a) Cities within the unorganized borough. Nearby areas in the unorganized borough may be affected by OCS development and may eventually be organized into coastal resource service areas. Coastal management plans for service areas may be adopted later than 1980.

(b) Comprehensive plan for the Municipality of Anchorage is being updated.

(c) Comprehensive plan updated for Port Lions in 1975 and for Near Island in 1974.

(d) Land use element of comprehensive plan for Kotzebue updated in 1976.

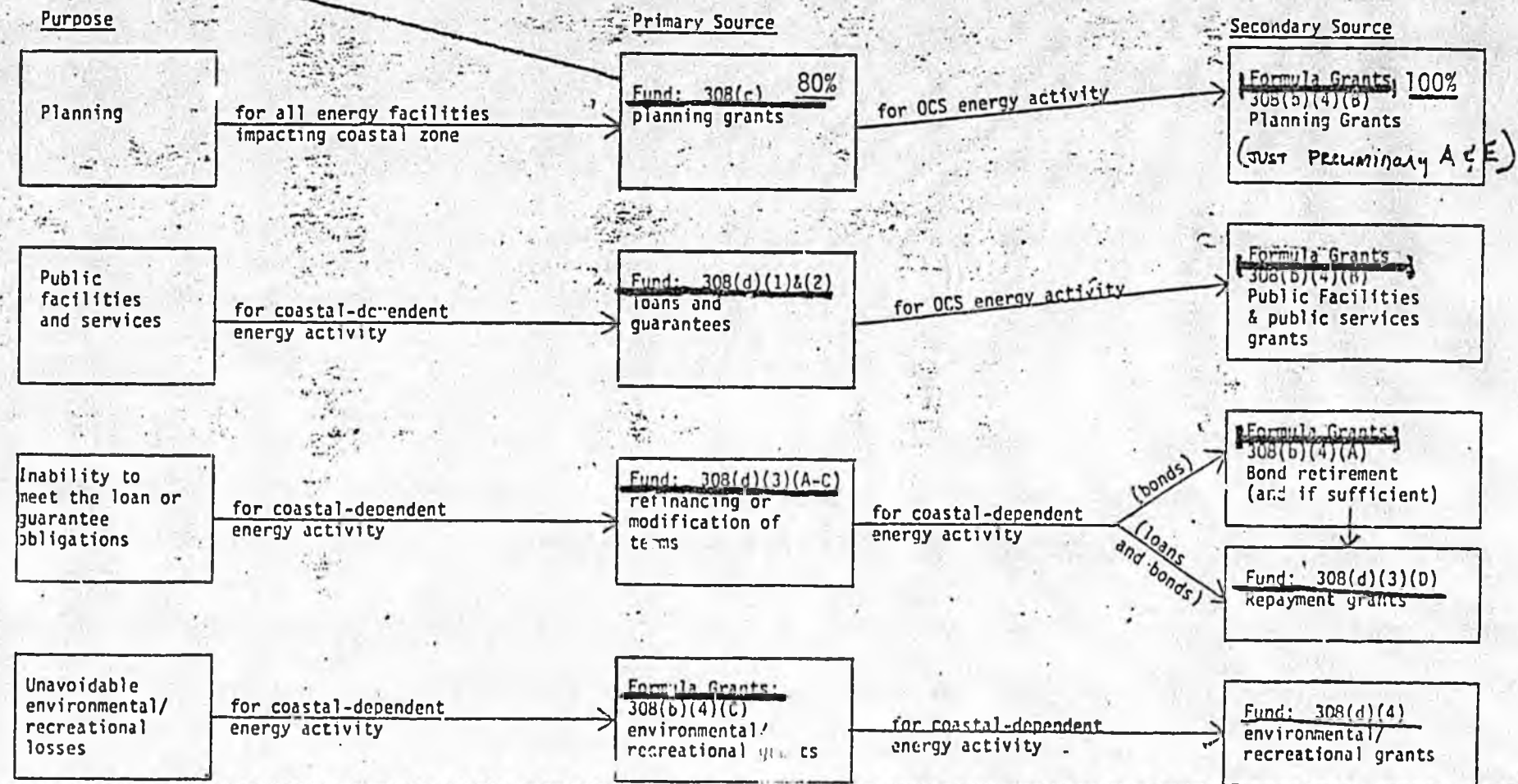
Figure 1

PLANNING CAPABILITIES

15% of \$3.5 million divided equally among 34 coastal states = approximately \$15,000
 85% of \$3.5 million allotted on basis of need

Figure 1

PL 94-370 Coastal Energy Impact Program: Primary and Fund 308(c) Planning Grants



Formula Grants	308 (b)	U.S. \$ 10 million	AK: \$ 1,178,643
Credit Assistance ("Fund")	308 (d)(1), (2), (3)	110 "	48,612,973
Planning Grants	308 (c)	3.5 "	365,466
Environmental/Recreational Grants	308 (d)(4)	1.5 "	662,904

Exhibit 3

(1) Preliminary planning for the consequences of new or expanded energy facilities[^] significantly affecting the coastal zone, including

- (i) analysis of government or private industry siting policies;
- (ii) devising strategies for the public purchase of land or the establishment of other enforceable land-use controls for lands upon or near which energy development is to take place;
- (iii) devising methods of protecting environmental resources, as defined in §931.72, threatened by the siting, construction, operation, or expansion of new or expanded energy facilities; or
- (iv) conducting risk management studies, hazard analyses, emergency contingency planning and coordination studies, and assessment of mitigating measures for maintaining or improving public safety threatened by the siting, construction, expansion, or operation of new or expanded energy facilities.

(2) Planning for the consequences of a specific new or expanded energy facility significantly affecting the coastal zone, including

- (i) study of and planning for economic, social, or environmental consequences of the siting, construction, expansion, or operation of a new or expanded energy facility such as
 - (A) increased population;
 - (B) changes in employment patterns including those in fishing and tourism;
 - (C) changes in demand for public facilities, public services, and housing;
 - (D) local price inflation;
 - (E) changes in patterns of tax and user fee revenues or inter-governmental transfers;
 - (F) effects on fishing and tourism resources;

(G) effects on beaches, sand dunes, air quality, water quality, or other environmental or recreational resources;

(H) shoreline erosion;

(I) ecological effects; and

(J) effects on public safety.

(ii) conducting analyses required for state or local regulatory decisions related to energy facilities, including licenses, leases, permits, and zoning ordinances;

(iii) performing cost/benefit analyses or otherwise comparing the consequences of alternate energy facility sites or types;

(iv) devising strategies for recovering compensation from appropriate parties for any adverse effects caused by the energy facility involved;

(v) forecasting employment, population, public facility and public service needs and costs, and tax or user-fee revenues;

(vi) planning for the public facilities eligible for financing under Subpart E of this part;

(vii) study of and planning for the secondary consequences, including environmental and economic consequences, of alternative types and sites of public facilities eligible for financing under Subpart E of this part; and

(viii) study of and planning for the consequences of the phasing out of energy facilities.

(3) Carrying out projects necessary to administer assistance under Section 308, including;

(i) collecting data and analyzing information required in §§ 931.48 (a)(5) and 931.78(c)(4) for environmental impact assessment;

(ii) designing and carrying out an intrastate allocation process as described in Subpart J of this part; and

(iii) paying other reasonable costs of administering assistance under

July 5, 1977

I. Summary of HB 219

The onshore facilities construction permit bill was proposed in the Tenth legislature - First session by representative Parr and eighteen others. It is designed to provide municipalities affected by offshore energy development with a means of exercising control over the location and public costs of OCS related onshore development.

Under the bill, each facility must obtain a permit prior to beginning construction. Permits cannot be issued without local approval from the municipality where the facility will be located. Thus, local units are given a bargaining tool which can be used to negotiate over the location and types of OCS related facilities. If negotiation fails to satisfy local needs, municipal denial of project approval will bar issuance of the permit and prevent construction of the facility in that municipality.

Permit fees generated under the bill are to be used to plan for and minimize the public costs of the OCS related onshore development. Fee amounts are proportionate to the projected impacts of the facility. (see table 1) At least 50% of the fees will go directly to the municipality where the facility is being built. An additional 45% of the fees will benefit the municipality in the form of state assistance.

This 45% of the fees will be allocated among state agencies and the municipality by DCRA according to their relative responsibilities for the provision of public facilities and services necessitated by the development. State assistance will be in forms of planning, legal expertise, and the direct provision of services such as education, transportation, and health care.

HB 219 proposes two alternative fee schedules. One measure of fees is based on population growth and the cost of government. The alternative measure is based solely on the value of the proposed development. For each facility, the formula producing the highest fee is used.

Using the valuation measure of fees, the amount of revenues produced by a development is related to the size of the proposed facility. Facility value is roughly predictable by the stages of the oil extraction process. During exploration, support facilities on shore will be valued at \$10 million or less. Based on a value percentage fee calculation, a \$10 million facility would pay \$250,000 in fees. (see table 1) If oil is discovered, shore processing facilities will have a much higher value. The very large processing facility at Valdez is valued at \$1.2 billion dollars. Fees for a facility that size would be \$6 million dollars. Although the scale of the terminal at Valdez represents the largest type of terminal which may be built to service offshore oil, it is obvious that processing facilities will generate large fees. Table 1 gives examples of fees produced by different sized production facilities.

July 5, 1977

House bill 219 provides an important boost to local preparation for OCS - onshore facilities. Developers are required to submit plans to the state three years in advance. This advance notice allows time for local assessment of the project and definition of a local policy in regardⁿ to the project. Advance reporting also requires the developer to disclose information which will assist municipal decision making.

Municipalities may use fees paid to cover planning and capital improvements costs. Independent legal assistance, land use and financial planners, and administrative assistance may be paid for out of the fees. Localities can use the planning process to control growth and establish a pattern for evaluating subsequent land use demands.

Status of the bill: HB 219 was not reported out of committee in the first session. Public hearings are being held to explain the bill and provide a channel for local input into the legislative process.

July 5, 1977

TABLE 1

REVENUES THAT THE FEES WILL GENERATE

EXPLORATORY STAGE

IF the facility is valued at \$5 million fee = \$100,000

IF the facility is valued at \$20 million fee = \$250,000

Most of the facilities built to service OCS exploration will cost \$10 million or less. The assessed value of the service base at Yakutat is \$5.5 million as of the first of 1977.

DEVELOPMENT AND PRODUCTION STAGE

IF the facility is valued at \$500 million fee* = \$2.5 million

IF the facility is valued at \$750 million fee = \$3.75 million

IF the facility is valued at \$1 billion fee = \$5.0 million

IF the facility is valued at \$1.2 billion fee = \$6.0 million

The oil terminal at Valdez will process 1.2 million barrels of oil per day and is valued at 1.2 billion dollars. If the largest possible find is made in the Northern Gulf, shore terminal capacity will need to be 650,000 barrels per day at a value of approximately \$800 million. Also a larger discovery in the Northern Gulf would require a Liquefied Natural Gas terminal with one billion cubic feet per day capacity at a value of approximately one billion dollars.

*These fees for the production stage are calculated at a straight one half percent. If the developer failed to provide three year advance information, the fees would double.

MERITS OF HB 219

1. Places municipalities in the driver's seat for any OCS-related shoreside development.
2. Creates a land management tool which is applied statewide and thus is not a disincentive to development.
3. Provides money to finance costs of local planning not presently covered by CEIP or other grants.

SHORTCOMINGS OF BILL AS CURRENTLY WRITTEN

1. Local approval or veto of a proposed facility need not be consistent with existing local or State plans.
2. Standards for permit evaluation are not specified. No procedural or substantive rights of developers are enumerated or protected.
3. HB 219 is not tied to the Coastal Management Act and its requirements.
4. Three years advance notice of construction plans may not be feasible in all cases.

SUGGESTED IMPROVEMENTS

1. To limit potential arbitrary uses of local approval or veto of a proposed facility by:
 - a. Requiring municipal decisions to be consistent with existing and emerging plans and policies under the Coastal Management Act;
 - or b. Establishing decision guidelines in the bill to ensure that a municipal approval or veto is to protect the public welfare and is consistent with Coastal Management policies;
 - or c. Grant municipalities the power to suspend a permit application for one year while a Coastal Management program is written.

Each alternative should clarify the procedural rights of the developer.

2. Make the advance planning requirement more flexible so that developers will not be penalized by changes in their plans caused by forces beyond their control.

The views of this memo do
not reflect Departmental
Policy

TO: Members of House Committee
Community and Regional Affairs

DATE: August 9, 1977

FILE NO:

TELEPHONE NO:

FROM: Robert Shoaf
Summer Intern

SUBJECT: HB 219

Our critical examination of HB 219 focuses on two major topics:

- A. Local approval power
- B. Prior planning by developers

A. Local approval power

Local approval power and permit fees are the two major features of the onshore facilities construction permit. A permit will not be issued without local approval. Municipalities are not required to have planning and zoning in place to make this local decision. Areas that do exercise land use controls do not have to make their decision inconsistent with existing municipal plans and ordinances.

Regardless of how the permit is classified, the local approval power is regulatory in nature and should be designed to protect private property rights. Private property uses cannot be abridged by government unless the public intervention is reasonably related to public welfare. Traditionally, to prevent arbitrary public intervention in private land use, police power controls established standards for intervention (by planning and zoning) in advance.

The Division of Community Planning feels that local approval power in HB 219 is an essential tool which will enable municipalities to manage OCS onshore development. However, municipal decisions must be directed to protect the public welfare. Furthermore, HB 219 should be coordinated with coastal planning under the Coastal Management Act.

Three alternatives are available to remove the arbitrary nature of local approval.

1. Prior planning

OCS onshore facilities siting decisions will be made in the context of coastal planning under Alaska's Coastal Management Act. Local decisions under HB 219 should adhere to approval District Coastal Management Programs. In municipalities where no management programs have been written, local decisions should be in accordance with any existing land use controls and with the principles and emerging plans of the Coastal Management Act.

It is not certain that District Programs under CMA will produce the type of specific standards needed to guide local development decisions. Additionally, not every municipality may be able to afford adequate, on going planning.

2. Guidelines in HB 219

To guide local decisions and to prevent arbitrariness the legislature can incorporate guidelines for municipal decision making in HB 219. Because of the comprehensive mandate for coastal planning in the Coastal Management Act, these guidelines should mirror the policies of CMA.

Guidelines could require that municipal evaluation of a onshore facility construction proposal consider the environmental, social and economic impacts of the project. Approval of a project could issue when a City Council or Municipal Borough found that these impacts were manageable. For example, a municipality could base its decision in part, on whether or not the necessary supportive public facilities and services will be available when the development is completed.

Evaluation of a proposal will require detailed assessment of the proposal and its effects on a municipality. A third alternative is to structure a municipality's use of this assessment period so that local land use plans are produced to serve as a guide for the municipal decision.

3. Interim Planning

This alternative grants municipalities the power to suspend construction of an onshore facility for a reasonable time while District Coastal Management Programs are written and implemented. These programs would place the municipal decision in a more comprehensive framework than would the reliance on guidelines. Additionally, the municipal programs would serve as a guide for future management of OCS impacts, and as a basis for ongoing planning.

If a municipality chooses to approve a proposal without suspending construction pending implementation of a District Program, local approval should be based on positive findings that the impacts of the project are manageable.

In this alternative, HB 219 would only serve municipalities who have not yet written District Management programs.

B. Prior planning by developers

The requirement of three years advance notice of construction plans by developers (section 41.45.110, May 28, 1977 version) may not be feasible. Uncertainties not controlled by developers, such as Federal OCS leasing policies, may interfere with their ability to accurately project construction plans three years in advance.

When external factors dictate a change in plans for OCS onshore activities, developers should be able to change their plans without the excessive penalty of doubling the permit fee. To allow flexibility, the advance planning requirement might be reduced to two years, with changes in plans allowed with one years notice, unless waived by a municipality. Additionally, the Department of Community and Regional Affairs should determine what advance information is feasible in terms of progress of lease sales and exploration.

Statutory Language To Structure Municipal Decisions

Alternative 1: Prior planning

" Local approval or denial of a permit shall be in accord with existing or emerging Coastal Management Programs, policies and guidelines.

Alternative 2: Guidelines

" Local permit approval may be granted by a City Council or Borough Assembly if it finds:

- a. That the use will not materially endanger the public health or safety if located where proposed:
 1. That the municipal water supply will be of sufficient quality and quantity to meet the increased demand attributable to the facility;
 2. That the proposed use will not have an unreasonable impact of the coastal environment;
 3. That the necessary supportive public facilities and services will be available as the demand for them attributable to the facility increases;
 4. That associated land and water transportation will minimize degradation of waterfront uses.
- b. That the proposed facility is in accord with existing plans and regulations;
- c. That the use will not substantially injure the value of adjoining or abutting property, or is a public necessity;
- d. That the use will not unreasonably disrupt the social and economic well-being of the municipality. "

Alternative 3: Interim planning

HB 219 should specify whether the decision to utilize the moratorium or proceed immediately will be an administrative or legislative one.

Language to implement alternative three should be placed in a new section of the bill. The new section could state:

"Local Approval of an Onshore Facilities Construction Permit.

"When a developer of an OCS onshore facility requests local approval of its proposal, the municipal assembly or council shall meet to make one of two possible decisions.

"If the assembly finds that the project will be consistent with state and local plans then existing under Alaska's CMA [or consistent with enumerated standards], then local approval may be given.

"If the assembly finds that the proposal is not consistent with these guidelines [or will have a significant impact on coastal resources which is not adequately managed by present planning] or is not consistent with the local health, safety and welfare, then the assembly, by a majority vote, may choose to impose a two year moratorium on the proposal, during which time the municipality shall prepare a district coastal management program (See A.S. 45.35.030) to guide subsequent local decisions.

"If a municipality already has implemented a coastal management program, this section does not apply and the local permit decision shall be made in accordance with the policies and procedures of that plan.

"Once a moratorium is imposed, the municipality should contact the Department of Community and Regional Affairs to make arrangements to locate any funds needed for planning."

STATE OF ALASKA
THE LEGISLATURE

POUCH Y - STATE CAPITOL
JUNEAU, ALASKA 99811
907-465-3800

LEGISLATIVE AFFAIRS AGENCY

MEMORANDUM

November 1, 1977

SUBJECT: House Bill 219, establishing a program of shore facilities building permits as a means of providing financial assistance to municipalities adversely affected by outer continental shelf activity.

TO: Representative Lisa Rudd

FROM: John B. Chenoweth
Legislative Counsel

You have asked for an interim review of state and federal action relative to financial assistance to local governments affected by continental shelf petroleum exploration and development, with a view toward considering the relationship between state and federal action and modification, revision or other action with respect to HB 219. What follows is divided into two parts to facilitate your review.

STATE ACTION

Since adjournment, Governor Hammond has signed into law the state's Coastal Management Act (Ch. 84, SLA 1977), and appointed the nine public members to serve on the coastal policy council.

Anticipating the first allocation of federal financial assistance in the form of grants and federal credit assistance under various subsections of the federal coastal energy impact program, sec. 308 of the federal Coastal Zone Management Act of 1972, the Department of Community and Regional Affairs has been active in the preparation of the necessary intrastate allocation process required by sec. 308(g)(2) of that Act.

The allocation process proposed by the department takes the form of policy guidelines for the implementation of the Coastal Energy Impact Program. With this memo is a copy of the policy guidelines in draft form together with a 20-page narrative describing the process. As I mentioned to you, I

Representative Lisa Rudd
Page 2
November 1, 1977

believe, when you were in Juneau prior to Labor Day, the department has had a workshop on the draft with local government officials and had allowed until September 9th, to receive further comment. Thereafter, the department proposes to make necessary revisions in the guidelines and adopt them as the basis by which to evaluate applications for financial assistance.

I believe I also informed you that, in my opinion, the department has failed to proceed in the manner required by the state's Administrative Procedure Act in that it has not followed the process required for the adoption of administrative regulations for the program. The Department of Law has since informed Community and Regional Affairs that it should comply with the state's Administrative Procedure Act and, to that end, the Department has proposed the adoption of a one-section regulation incorporating the guidelines by reference.

The flow of financial assistance to Alaska under section 308 of the Federal Coastal Zone Management Act should commence very shortly. The Coastal Energy Impact Program provides five basic types of assistance: planning grants, environmental grants, development grants, credit assistance and repayment assistance. Alaska is due to receive an allotment of funds in each category based on its share of nationwide coastal energy development. The department has provided these figures by way of anticipated FY 77 receipts:

1. Planning Grants are available on an 80 percent federal/20 percent non-federal basis to help prepare for the consequences of all new or expanded energy activity in the coastal zone. Planning grants can be used to study and plan for the economic, environmental, or social impact due to the siting, construction, expansion or operation of energy facilities. Alaska has been allotted a total of \$365,466 for this purpose for FY 77.
2. Environmental Grants, available on a 100 percent federal basis, are intended to prevent, reduce or repair damage to or loss of the valuable environmental or recreational resources due to coastal energy activity. Environmental grants may be used for impacts resulting from previous coastal energy activity which cannot be attributed to any one party. Alaska has been allotted \$662,904 for this purpose for FY 77.

3. OCS Related Facility Grants, also called formula grants, are available on a 100 percent federal funding basis to plan for, mitigate the impacts of, and develop public facilities and services as a result of OCS related energy facility development. These funds may be expected to be the primary source of assistance to help municipalities prevent the unavoidable loss of environmental or recreational resources. A loss is unavoidable when the cost of prevention or repair cannot be assessed to a responsible party. Alaska has been allotted \$1,178,643 in this category for FY 77.

4. Credit Assistance is available in the form of direct loans or guarantees of loans or bonds for the purpose of providing new or improved public facilities and services required as a result of coastal energy activity. Also available by way of such is repayment assistance, available to eligible applicants who cannot meet credit obligations because an anticipated revenue failed to materialize. Alaska has been allotted \$48,612,973 for both credit and repayment assistance for FY 77.

CONGRESSIONAL INITIATIVES

US Senate-adopted legislation (S 9) and legislation offered in the House of Representatives (HR 1614) remain under study in House committee, with no likelihood of final adoption of either before year end.

The Senate-adopted legislation (S 9), entitled the Outer Continental Shelf Lands Management Act of 1977, amends the Coastal Energy Impact Program portion of the 1976 Coastal Management Act amendments

(1) by eliminating the requirement in sec. 308(b)(4)(i) that all loan and bond guarantee resources shall have been exhausted for formula grant projects and programs resulting from Outer Continental Shelf energy activity -- presumably allowing states the use of formula grant funds for new or improved public facilities and services without regard to examination of adequacy of alternative funding sources;

(2) by eliminating a requirement that such facilities and services be needed because of "new or expanded" activity in order to qualify for support -- opening the door to financial support for the resultant community impact caused by additional activities in conjunction to an existing plant or facility; and

(3) by increasing the funding authorization level by \$25,000,000 annually after federal FY 77 which, if funded, should increase revenues available to Alaska: in this regard, the Coastal Management Office, Division of Policy Development and Planning, has offered the following projected revenue figures for Alaska:

(Federal)	FY 78	\$ 5,000,000
	FY 79	7,050,000
	FY 80	8,750,000
	FY 81	22,320,000
	FY 82	21,820,000
	FY 83	14,920,000
	FY 84	15,170,000

for a total of \$95 million dollars anticipated through the seven-year period.

Less certain, at least at the time the information was provided to me, is the course of HR 1614, in part because of the complexities of the amendatory language being proposed, and in part because of a change proposed in the manner of calculating assistance under the applicable formula. A computer run of the estimated payout to coastal states under the language of HR 1614 suggests payment of under \$60 million to Alaska through the period. House consideration is complicated by the proposal of an amendment by Representative Breau and others to change key portions of HR 1614 with respect to the operable formula, making the Coastal Energy Impact Program more nearly a "revenue sharing" assistance program not coupled to payment based upon oil and gas leases or oil and gas landed. Apparently the general revenue sharing approach is gaining some favor among the members of Congress; the Carter administration apparently remains opposed in principle. The committee considering the legislation did ask adoption of the Breau amendments by way of request of the Rules Committee that the bill be scheduled for floor action; there was a move to table until next year (second session), and there will be no further action until January.

Representative Lisa Rudd
Page 5
November 1, 1977

A copy of the bill, bearing the amendments offered in committee, is forthcoming from the Congressional Liaison, Office of Coastal Zone Management, in Washington, DC.

JBC:jpd

Enclosure