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SB 253. (cont'd)

Introduced March 9 and referred to Community and Regional Affairs, then to Finance.

Educational
Incentive
Grant Program

SENATE BILL NO. 254, by Senators Parr, Kelly and Stimson. Relates to the Alaska State Educational Incentive Grant Program (AS 14.40.930). Amends that section by stating that funds appropriated for this program "may" (presently "shall") be used as matching funds for the state's participation in the federal-state student incentive grant program (P.L. 92-318; 20 U.S.C. s. 1070c - 1070c-s). Rewrites section relating to limitations on grants (sec. 950(a)) by stating that a grant made may not be less than \$100 or more than \$3,000 (presently \$1,500) for an academic year. Provides Act takes effect July 1, 1981.

Introduced March 9 and referred to Health, Education and Social Services, then to Finance.

Appropriation
(special)
(ed. incentive
grant program)

SENATE BILL NO. 255, by Senators Parr, Kelly and Stimson. Makes a special appropriation in the amount of \$1,000,000 to the Department of Education, Alaska Commission on Postsecondary Education for the Alaska state educational incentive grant program. Provides unexpended and unobligated portion of the appropriation lapses into the general fund on June 30, 1982. Provides Act takes effect on the effective date of SB 254, above.

Introduced March 9 and referred to Health, Education and Social Services, then to Finance.

Pioneers' Home
(except from
requirements)

SENATE BILL NO. 256, by Senator Parr. Repeals the requirement that the person managing or administering an Alaska Pioneers' Home be a licensed nursing home administrator. Amends AS 08.70.080 (Nursing Home Administrators. License required) by addition of language which states: "This section does not apply to persons engaged in managing, supervising, or administering an Alaska Pioneers' Home under AS 47.25." Provides Act takes effect immediately.

Introduced March 9 and referred to Health, Education and Social Services.

Natural Gas
Development
Authority

SENATE BILL NO. 257, by Senator Parr. Repeals the Alaska Gas Pipeline Financing Authority, created in 1978 (sec. 1, chapter 90, SLA 1978) to provide state assistance for the financing of the natural gas pipeline project. Repeals section relating to the issuance of revenue bonds (AS 44.82.090) which allows the state to borrow money and issue revenue bonds up to the principal amount of \$1,000,000,000 to assist in the financing of the project.

--Establishes the Alaska Natural Gas Industrial Development Authority (in place of the Alaska Gas Pipeline Financing Authority), within the Department of Revenue, with a legal existence independent of and separate from the state. Authorizes the authority to issue revenue bonds to finance construction of a plant to condition natural gas.

SB 257, (cont'd)

--Amends the State Bonding Act (AS 37.15) by addition of a new section relating to natural gas conditioning plant revenue bonds, authorizing the issuance and sale of revenue bonds of not more than \$2,000,000,000 to provide money to acquire, construct, equip and install additions and improvements to the gas conditioning plant.

--Amends Title 31, "Oil and Gas" by addition of a new chapter, "35. Natural Gas Conditioning Plant" which authorizes the state to acquire, construct, equip and install additions and improvements to the gas conditioning plant and any facilities associated with it. Provides that the Commissioner of Transportation and Public Facilities has the responsibility to design and construct the plant and improvements to it. Provides that the location of the plant shall be determined, after public hearings, by the Alaska Royalty Oil and Gas Development Advisory Board.

—Provides for lease and operation of the gas conditioning plant by the Commissioner of Natural Resources to a qualified operator by competitive bid. States that bids may be on the basis of a percentage of revenue produced by the plant or a fixed annual rental payment, as determined by the Commissioner. The minimum acceptable bid must be sufficient to pay the debt service on the bonds and to provide the state with a reasonable return on its investment.

Sections added which deal with bonds and funding of the authority include:

AS 44.82.083, "Bonds of the Authority". States that bonds of the authority may be issued ". . .for the purpose of purchasing or otherwise acquiring any obligation issued with respect to the project in any form which is fixed and certain as to terms of repayment and for the establishment of reserves to secure or to pay bonds or notes or interest on bonds or notes and all other costs of the authority incident to and necessary for issuance of bonds or notes. . . .".

AS 44.82.085, "Construction Fund". Sets up a special fund of the state known as the "gas conditioning plant construction fund" "into which shall be paid the proceeds of the sale of the bonds (except accrued interest paid on them, which shall be paid into the bond redemption fund) and other money which is legally provided for the same purposes for which the bonds are authorized. The money in the construction fund shall be used to pay the costs of the project and for incidental costs, including costs of the authorization, issuance and sale of the bonds. . . .To the extent provided in the bond resolution, money in the construction fund may also be used for the payment of interest on the bonds during the period of actual construction, and for a further period, not exceeding one year after the period of construction, as may be provided in the bond resolution. Money in the construction fund may also be transferred to the bond redemption fund. . .to establish a reserve for the payment of the principal of and interest on the bonds. . . .".

SB 257. (cont'd)

AS 44.82.087 "Revenue Fund". Sets up a special fund of the state known as the "gas conditioning plant revenue fund", which is ". . . a trust fund for the uses and purposes provided in this chapter, and into which shall be paid all revenues, fees, charges and rentals derived by the state from the ownership, lease, use, and operation of the gas conditioning plant and all of the facilities and improvements used in connection with it. These revenues, charges, fees, and rentals may not include the proceeds of a state tax or license. . . ." (Further outlines purposes for which monies may be used).

AS 44.82.089, "Redemption Fund". Sets up a special fund of the state, known as the "gas conditioning plant revenue bond redemption fund: "which is a trust fund for paying and securing the payment of the principal of and interest and redemption premium, if any, on the bonds and which shall be at all times completely segregated and set apart from all other funds of the state. . . . The bond redemption fund shall be drawn upon for the purpose of paying the principal of and interest and redemption premium, if any, on the bonds, and the bonds do not constitute a general obligation of the state."

--Outlines bond terms, and states that before selling a series of bonds, the committee shall give notice inviting sealed bids and if satisfactory bids are received, the bonds offered for sale shall be awarded to the highest responsible bidder. The committee may reject bids if they are not satisfactory as to price or responsibility of the bidders. Bonds shall be sold at such a price that the effective interest rate over the life of the bonds does not exceed 10 percent a year with interest payable annually or semiannually. Provides bonds shall mature at the time or times fixed by the committee.

--Following sections deal with bond resolution, enforcement by holder, amounts required for payments, bond negotiability, limitation on issuance of bonds and refunding.

--Repeals and reenacts AS 44.82.160, "Bonds as legal investments for fiduciaries.", by changing section to "Bonds as legal investments". Section as repealed and reenacted reads: "The bonds are legal investments for all banks, trust companies, savings banks, savings and loan associations and other persons carrying on a banking business, all insurance companies and other persons carrying on an insurance and all executors, administrators, trustees, and other fiduciaries. The bonds may be accepted as security for deposits of all funds of the state and its political subdivisions."

--Adds a "statutory construction" clause, and repeals and reenacts definitions relating to the "authority", "bonds", "project", "bond redemption fund", "bond resolution", "committee", "construction fund", "gas conditioning plant" and "revenue fund" to reflect the change to the Alaska Natural Gas Industrial Development Authority, rather than the Alaska Gas Pipeline Financing Authority".

SB 257, (cont'd)

--Other sections relating to the Alaska Gas Pipeline Financing Authority which are repealed include:

sec. 100, Submission of financial and Alaska impact plan.
 sec. 170, Regulations.
 sec. 200, Definitions: (3) "entire transmission system";
 (5) "project sponsor"; (6) "Prudhoe Bay natural gas";
 (7) "Prudhoe Bay oil"; (8) "Prudhoe Bay reservoir";
 and sec. 1, Chapter 90, SFA 1978, the "Legislative Findings" section of "An Act creating the Alaska Gas Pipeline Financing Authority; and providing for an effective date."

--Provides the employees of the Alaska Natural Gas Industrial Development Authority are a part of the exempt service, exempt from the provisions of the State Personnel Act.

--Does not provide for an effective date.

Introduced March 9 and referred to State Affairs, Resources, then to Finance.

Appropriation
 (special)
 (village water & sewer systems)

SENATE BILL NO. 258, by Senator Ferguson. Makes a special appropriation in the amount of \$200,000 to the Department of Community and Regional Affairs for technical support for the operation and maintenance of village water and sewer systems: \$100,000 for payment as a grant to the Norton Sound Health Corporation to establish and operate a water and sewer technical support office in Nome to provide trained technical support for the operation of village water and sewer systems; \$100,000 for payment as a grant to the Mauneluk Association to establish and operate a water and sewer technical support office in Kotzebue to provide trained technical support for the operation of village water and sewer systems. Provides Act takes effect immediately.

Introduced March 9 and referred to Community & Regional Affairs, then to Finance.

Appropriation
 (supplemental)
 (Kotzebue nursing service)

SENATE BILL NO. 259, by the Rules Committee by Request of the Governor. Makes a supplemental appropriation from the general fund to the Department of Health and Social Services, Division of Public Health, to pay the costs of public health nursing services in the Kotzebue area. Provides the unexpended and unobligated part of the appropriation lapses into the general fund on June 30, 1981. Provides Act takes effect immediately.

Introduced March 9 and referred to Health, Education and Social Services, then to Finance.

In his message transmitting the bill, Governor Hammond stated:

Under the authority of art. III, sec. 10, of the Alaska Constitution, I am transmitting a bill which would make a supplemental appropriation to the Department of Health and Social Services (HSS), division of public health.

This appropriation would be used to pay the salaries and associated costs for four nursing positions in Kotzebue. Last year money was appropriated to the department to contract for nursing services in the Kotzebue area. The contract with the Mauneluk Association for a plan

STATE OF ALASKA
THE LEGISLATURE

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

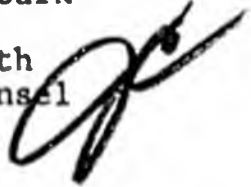
LEGISLATIVE AFFAIRS AGENCY

MEMORANDUM

May 8, 1981

SUBJECT: Natural Gas Industrial Development Authority
(SB 257)

TO: Senator Vic Fischer, Chairman
Senate State Affairs Committee
Attn: Robert Roark

FROM: John B. Chenoweth
Legislative Counsel 

This memorandum recounts and summarizes the content of several conversations among Anselm Staack, Comptroller in the Department of Revenue, Assistant Attorney General Jim Baldwin, and me concerning the above-referenced bill.

Mr. Staack was concerned that the Natural Gas Industrial Development Authority was established and constituted an authority rather than a state corporation by this legislation, while Mr. Baldwin asked whether the entity, constituted as an authority, actually performed any substantive functions which might otherwise be performed by the state bond committee. Mr. Staack's principal concern, I believe, was the degree of control which the state government would continue to enjoy if the entity were established as an authority (with a degree of independence greater than that normally attaching to a state corporation). The law is not particularly clear as to whether an authority is truly more "independent" than a public corporation. Rather than merely relying on the designation, the real distinction arises out of the duties and powers assigned to the entity and, of course, the nature of the membership of the entity's governing body. More significant, perhaps is Mr. Baldwin's concern that, in SB 257, the authority's board is really given little responsibility, while the state bond committee's duties (with respect to issuance of the revenue bonds, their payment, redemption and the like) are significant. Mr. Baldwin suggests that the legislative committee considering the legislation might

Senator Vic Fischer
Page 2
May 8, 1981

want to consider eliminating the separate Natural Gas Industrial Development Authority, assigning its responsibilities to, say, a commissioner or commission already established, leaving the "mechanics" of treating with the bonds to the state bond committee, and describing very specific limitations on the assets associated with the gas conditioning facility which would serve as the basis for guarantees of repayment of the revenue bonds. Both points raised are, to my mind, policy considerations for the committee to which Senator Parr, the bill's sponsor, may wish to respond.

In addition, Mr. Baldwin suggested that language appearing in AS 31.35.010 relating to the authorization for the gas conditioning plant be redrafted for purposes of clarity. I concur and suggest:

(a) The state may acquire or construct a gas conditioning plant and any facilities associated with it, equip the plant, and install additions and improvements to the plant and any facilities associated with it.

Finally, Mr. Baldwin urged reconsideration of the provisions of the last sentence of AS 44.82.091(a), page 4, lines 26 - 29 suggesting that the ten percent rate therein specified should be considered an averaged rate of interest for the life of the bonds. I believe the language provided in the bill does as he suggests, but would act on any recommendation which the committee would choose to make in this regard.

JBC:ljb

cc: Senator Charles H. Parr

STATE OF ALASKA

DEPARTMENT OF REVENUE

OFFICE OF THE COMMISSIONER

JAY S. HAMMOND, GOVERNOR

POUCH 5
JUNEAU, ALASKA 99811

April 7, 1981

The Honorable Vic Fischer
Chairman
Senate State Affairs Committee
Room 205 - Behrends Building
Juneau, Alaska

Dear Senator Fischer:

Re: Senate Bill No. 257

Senate Bill No. 257, an Act relating to natural gas; establishing the Alaska Natural Gas Industrial Development Authority; and authorizing the authority to issue revenue bonds to finance construction of a plan to condition natural gas and repealing the Alaska Gas Pipeline Financing Authority, was introduced in the Senate on March 9, 1981 and was referred to the Senate State Affairs; Resources and Finance Committees.

For the consideration of the Senate State Affairs Committee, I am enclosing a copy of a Fiscal Note prepared by Mr. Anselm Staack, Treasury Comptroller, Department of Revenue concerning the proposed legislation.

Sincerely,



R. D. Stevenson
Special Assistant

RDS/rdh

cc: The Honorable Bettye Fahrenkamp
Chairperson
Senate Resources Committee

Joseph K. Donohue
Deputy Commissioner
Department of Revenue

The Honorable Don Bennett
The Honorable M. E. Dankworth
Co-Chairmen
Senate Finance Committee

Anselm Staack
Treasury Comptroller
Department of Revenue

FISCAL NOTE

I. REQUEST

Bill/Resolution No. SENATE BILL NO. 257

Title Establishing the Alaska Natural Gas Industrial Development Authority, provide for

Requested by the issuance of revenue bonds, repeal Alaska Date 3/9/81

Gas Pipeline Financing Authority

Requested by Senate State Affairs Committee

II. FISCAL DETAIL

Agency Affected Department of Revenue, State Bond Committee

Program Category Affected _____

BRU, Program, or Subprogram(s) Affected _____

(Note: If more than one budget component is affected, separate line-item amounts and funding for each component in the analysis section.)

EXPENDITURES (Thousands of Dollars)

	FY 81	FY 82	FY 83	FY 84	FY 85	FY 86
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL						
400 COMMODITIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC.						
TOTAL						

FUNDING (Thousands of Dollars)

SEE BELOW: SIGNIFICANT POTENTIAL IMPACT EXISTS BUT IS INDETERMINATE

GENERAL FUND						
FEDERAL FUNDS						
OTHER (Specify Fund Source)						

POSITIONS

FULL TIME						
PART TIME						
TEMPORARY						

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

This bill establishes the Alaska Natural Gas Industrial Development Authority for the purpose of issuing revenue bonds to plan and finance the construction of a plant to condition natural gas. Repeals Alaska Gas Pipeline Financing Authority. Authority (development) allowed to issue and sell up to \$2 Billion in revenue bonds.

This bill is structured to create an organization/agency similar to International Airports which is an agency within DOTPF and is budgeted like any other BRU. The State Bond Committee makes all decisions related to the issuance and sale of revenue bonds. Staff and other operating expenditure requirements would be based on the eventual size and scope of the project.

IV. DATE April 6, 1981

PREPARED BY Anselm C. Stack, Treasury Comptroller

AGENCY Dept. of Revenue/Treasury Division

PHONE 465-2351

Original: Legislative Finance

cc: Budget and Management

Prime Sponsor (First Legislator Named)