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257

STATE OF ALASKA

JAY S. HAMMOND, GOVERNOR

DEPARTMENT OF REVENUE

OFFICE OF THE COMMISSIONER

POUCH 5
JUNEAU, ALASKA 99811

April 7, 1981

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

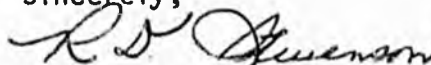
Dear Senator Fischer:

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						
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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. Staack, Treasury Comptroller
 AGENCY Dept. of Revenue/Treasury Division
 PHONE 465-2351

Original: Legislative Finance
 cc: Budget and Management
 Prime Sponsor (First Legislator Named)

STATE OF ALASKA
THE LEGISLATURE

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

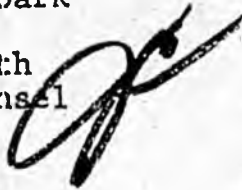
LEGISLATIVE AFFAIRS AGENCY

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

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. secs. 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)

SENATE BILL NO. 255, by Senators Parr, Kelly and Stimson. Makes a special appropriation in the amount of \$1,000,000 (ed. incentive grant program) 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
(exempt 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 if 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.

INTRODUCTION OF BILLS (Senate)(cont'd)

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 trasmission system";
 (5) "project sponsor"; (6) "Prudhoe Bay natural gas";
 (7) "Prudhoe Bay oil"; (8) "Prudhoe Bay reservior";
 and sec. 1, Chapter 90, SFA 1978, the "Legislative Find-
 ings" 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 wa-
 ter & 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 nur-
 sing 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. 18, of the Alaska Constitution, I am transmitting a bill which would make a supplemental appropriation to the Department of Health and Social Services (H&SS), 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 pilot

QUESTIONS for SB 257 Ak. Natural Gas Industrial Development Authority

② 1. Section 1. - You are creating a new authority without repealing the old authority. Do you plan to repeal 44.82.010 or will you have two existing gas pipeline financing authorities? (page 1 Section 1 graph 1) *same fund?*

③ 2. Page 3, 44.82.087 & page 4, 44.82.089 These both say special fund. Would you elaborate on the constitutional problem of designated funds?

X 3. POSSIBLE AMENDMENT Page 4 line 24 In place of highest would you mind changing to "lowest net interest cost."

④ 4. ?? Page 5 lines 10 thru 13. You have these bonds that belong to an independent industrial development authority being signed by the governor or the lt. governor. My impression is that these are not bonds of the state and do not require the governor's signature. Could you clarify that for me.

⑤ 5. Page 9 line 26--If this is an ^{indep} authority ~~in and of itself~~, why would you use the state bond committee?

⑦ 6. Page 11 line 1 sec. 31.35.020 In regards to the location of the gas conditioning plant, ~~why would this decision be made by the Ak. Royalty oil and Gas Development Advisory Board?~~ ~~Are we making a fiscal decision or a political decision as to the location of the GCP?~~ *what criteria*

① 7. OPENING QUESTION Charlie would you say that this authority has been patterned after any existing authorities in the state or is it a new concept?
What is intent

Vic. Additional question(s)

⑥ In light of the work of the D&D board, do you believe it is still appropriate for DOTPF to design and construct the gcp. (page 10 line 28 under 31.35.010)

⑧ 2. What if the state wanted to help finance the line and the gcp? Would this bill not restrict financing to the gcp only? *gas cond. plant.*

SB 257

STATE OF ALASKA

DEPARTMENT OF NATURAL RESOURCES

OFFICE OF THE COMMISSIONER

JAY S. HAMMOND, GOVERNOR

POUCH M
JUNEAU, ALASKA 99811
PHONE: (907) 465-2400

May 5, 1981

Senator Vic Fischer
Chairman
Senate State Affairs
Alaska State Legislature
Pouch V
Juneau, Alaska 99811

Dear Senator Fischer:

Thank you for the opportunity to comment on Senate Bill 257. Our comments on the bill do not take into consideration the technical and legal issues related to revenue bonding and industrial development authorities which may be inherent in SB 257, as we understand the Department of Revenue has been requested to testify. We would note, however, that the bill appears to share some of the defects of the existing statute identified in a review of that statute last year. The current version of SB 257 raises some concerns.

First, it would repeal the existing Alaska Gas Pipeline Financing Authority, including the requirement for a Financial and Alaska Impact Plan which covers such items as financing methods; protection of the State's right to withdraw its royalty gas; resident hire practices; reimbursement of State costs associated with monitoring the project; and resolution of several issues such as allocation of conditioning costs.

The repeal of the Financial and Alaska Impact Plan (AS 44.82.100) would remove from State statute the only specific mention of the State's intent to recover the costs of State personnel and equipment required to monitor the construction and operation of the pipeline project, and the costs of providing local impact information and planning assistance for communities affected by the project. Although the State has authority to require such reimbursement under its general leasing provisions, the question of the propriety of reimbursement of socio-economic costs has been raised as an

May 5, 1981

issue in the Federal Energy Regulatory Commission proceedings and is not yet resolved there.

Second, as Senate Bill 257 was originally drafted over a year ago and reintroduced this session, it does not reflect some developments which have taken place in the interim. Sec. 31.35.010(b) calls for DOT-PF to be responsible for designing and constructing the plant and improvements to it. In actuality, design of the conditioning plant is well underway as the Design and Engineering Board (composed of both gas producers and the gas transmission companies) contracted last year with the Ralph M. Parsons Company for the work.

Also Sec. 31.35.020 calls for the location of the gas conditioning plant to be determined, after public hearing, by the Alaska Royalty Oil and Gas Development Advisory Board. This provision probably lies outside the statutory scope of the Advisory Board. It also ignores the practical, technical and economic considerations which have guided the Design and Engineering Board in its site selection. The State did request from the Design and Engineering Board a comparative analysis of the Prudhoe Bay site vs. an Interior site. The analysis supported the selection of the Prudhoe Bay site, a conclusion which the State's consultants, a gas processing engineering firm, concurred with.

We are sorry not to be able to respond in person to any questions at this time, but we would be glad to answer any questions at a later date, either through subsequent written testimony or through work with legislative staff.

Sincerely,


Robert E. LeResche
Commissioner

STATE OF ALASKA

JAY S. HAMMOND, GOVERNOR

DEPARTMENT OF REVENUE

OFFICE OF THE COMMISSIONER

POUCH 5
JUNEAU, ALASKA 99811

April 7, 1981

The Honorable Vic Fischer
Chairman
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Room 205 - Behrends Building
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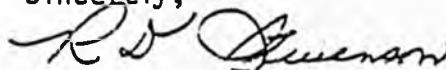
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Re: Senate Bill No. 257

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R. D. Stevenson
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cc: The Honorable Bettye Fahrenkamp
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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

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IV. DATE April 6, 1981

Anselm C. Staack
 PREPARED BY Anselm C. Staack, Treasury Comptroller
 AGENCY Dept. of Revenue/Treasury Division
 PHONE 465-2351

Original: Legislative Finance
 cc: Budget and Management
 Prime Sponsor (First Legislator Named)

STATE OF ALASKA
THE LEGISLATURE

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

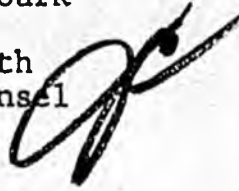
LEGISLATIVE AFFAIRS AGENCY

MEMORANDUM

May 8, 1981

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(SB 257)

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

FROM: John B. Chenoweth
Legislative Counsel 

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Senator Vic Fischer
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May 8, 1981

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JBC:ljb

cc: Senator Charles H. Parr

CHANGES IN SB 257 (CS)

*Deputy
Re...*
*what controls
a la airport
encl.*

1. First, we left the language that Anselm Staack had problems the way it was. After, conferring with lawyers, who had no problem with it, it was not changed.
2. Added from the original statute was 44.82.100 SUBMISSION OF FINANCIAL AND ALASKA IMPACT PLAN. This was the heart of the old statute and I believe the only reason it was deleted was because of oversight on Chenoweth and Charlie Parr's part. It was really the heart of the old bill. Mary Halloran will be at the meeting to testify on this part of the bill.
- ✓ 3. Also added back in that was previously deleted was 44.82.110 which deals with Legislative approval. It is much the same as the "petrochemical legislative approval" and I see no reason why we would want to give it up. The draft does not mention it, but at the end, where it lists the number of sections repealed, it has been deleted, so it is back in the bill.
- ✓ 4. Finally, we have deleted from this bill, the part on "location of the gas conditioning plant" -- That decision previously to be made by the Royalty--Advisory Board--is now in the hands of "PRIVATE ENTERPRISE" The Design and Development Board (D&D Board) has already spent \$90 million dollars on design and that decision is no longer up to the state. Therefore we had it deleted. Again, questions on this can be answered by Mary Halloran, DNR.

Mary Halloran

Parr Purpose - own and plan so can control part of gas operation

Introduced: 3/9/81
Referred: State Affairs,
Resources and Finance

1 IN THE SENATE

BY PARR

2 SENATE BILL NO. 257

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 TWELFTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act relating to natural gas: establishing the
7 Alaska Natural Gas Industrial Development Authority,
8 and authorizing the authority to issue revenue bonds
9 to finance construction of a plan to condition natural
10 gas; and repealing the Alaska Gas Pipeline Financing
11 Authority."

12 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

13 * Section 1. AS 44.82 is amended by adding a new section to read:
14 *44.82.010 not repealing old authority*
15 Sec. 44.82.011. CREATION OF AUTHORITY. There is created the
16 Alaska Natural Gas Industrial Development Authority. The authority is
17 a public corporation of the state. It is an instrumentality of the
18 state in the Department of Revenue, but has a legal existence indepen-
19 dent of and separate from the state. Exercise by the authority of the
20 powers conferred by this chapter is an essential governmental function
21 of the state.

same authority

21 * Sec. 2. AS 44.82.060 is amended to read:
22 Sec. 44.82.060. LEGAL COUNSEL. The attorney general is the legal
23 counsel for the authority [CORPORATION]. He shall advise the authority
24 [CORPORATION] in legal matters and represent it in legal actions.

25 * Sec. 3. AS 44.82 is amended by adding new sections to read:
26 Sec. 44.82.083. BONDS OF THE AUTHORITY. The authority may borrow
27 money and issue revenue bonds, in one or more series, the interest on
28 which is exempt from federal income tax except when held by a substan-
29 tial user or related person as defined in sec. 103 of the Internal

1 Revenue Code of 1954 as amended, up to the principal amount authorized
2 by AS 37.15.600 including amounts required for fund reserves, capi-
3 talized interest, and costs of issuance of the bonds or notes and
4 excluding refunding bonds. Bonds of the authority may be issued for
5 the purpose of purchasing or otherwise acquiring any obligation issued
6 with respect to the project in any form which is fixed and certain as
7 to terms of repayment and for the establishment of reserves to secure
8 or to pay bonds or notes or interest on bonds or notes and all other
9 costs of the authority incident to and necessary for issuance of bonds
10 or notes. The principal and interest on the bonds are payable from the
11 income and receipts or other money derived by the authority with respect
12 to the project, except to the extent payable out of money attributable
13 to the proceeds of the sale of the bonds or out of income from the
14 temporary investment of those proceeds.

15 Sec. 44.82.085. CONSTRUCTION FUND. (a) There is a special fund
16 of the state known as the "gas conditioning plant construction fund"
17 into which shall be paid the proceeds of the sale of the bonds (except
18 accrued interest paid on them, which shall be paid into the bond redemp-
19 tion fund) and other money which is legally provided for the same pur-
20 poses for which the bonds are authorized. The money in the construction
21 fund shall be used to pay the costs of the project and for incidental
22 costs, including costs of the authorization, issuance and sale of the
23 bonds. To the extent provided in the bond resolution, money in the
24 construction fund may also be used for the payment of interest on the
25 bonds during the period of actual construction, and for a further
26 period, not exceeding one year after the period of construction, as may
27 be provided in the bond resolution. Money in the construction fund may
28 also be transferred to the bond redemption fund, to the extent provided
29 in the bond resolution, to establish a reserve for the payment of the

1 principal of and interest on the bonds.

2 (b) The bond resolution may provide for the investment of money
3 in the construction fund as the committee may determine. The interest
4 earned on or any profits derived from the sale of these investments
5 shall be deposited in and become a part of the construction fund.

6 Sec. 44.82.087. REVENUE FUND. (a) There is a special fund of
7 the state, known as the "gas conditioning plant revenue fund", which
8 shall be completely segregated and set apart from all other funds of
9 the state, which is a trust fund for the uses and purposes provided in
10 this chapter, and into which shall be paid all revenues, fees, charges
11 and rentals derived by the state from the ownership, lease, use, and
12 operation of the gas conditioning plant and all of the facilities and
13 improvements used in connection with it. These revenues, charges,
14 fees, and rentals may not include the proceeds of a state tax or license.
15 The money in the revenue fund shall only be used for the purpose of

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16 (1) paying or securing the payment of the principal of and
17 interest on the bonds and any other revenue bonds issued by authoriza-
18 tion of the legislature to provide funds to acquire, equip, construct,
19 and install additions and improvements to the gas conditioning plant
20 and payable out of the revenue fund;

21 (2) paying the costs of renewals, replacements, and extra-
22 ordinary repairs to the gas conditioning plant and its improvements and
23 facilities;

24 (3) redeeming before their fixed maturities any and all
25 revenue bonds issued for the purpose of the gas conditioning plant;
26 and

27 (4) providing money to acquire, construct, and install
28 necessary additions and improvements to the gas conditioning plant.

29 (b) The investment of money in the revenue fund may be made as

1 the committee may determine. The interest earned on or any profits
2 derived from the sale of these investments shall be deposited in and
3 become a part of the revenue fund.

4 Sec. 44.82.089. REDEMPTION FUND. There is a special fund of the
5 state, known as the "gas conditioning plant revenue bond redemption
6 fund", which is a trust fund for paying and securing the payment of the
7 principal of and interest and redemption premium, if any, on the bonds
8 and which shall be at all times completely segregated and set apart
9 from all other funds of the state. The committee, on behalf of the
10 state, shall obligate and bind the state to set aside and pay into the
11 bond redemption fund any part or parts of, or all of, or a fixed propor-
12 tion of, or a fixed amount of the money in the revenue fund sufficient
13 to pay the principal of and interest and redemption premium, if any, on
14 the bonds as the payments become due and, if it considers it necessary,
15 to set aside and maintain reserves for this purpose. The bond redemp-
16 tion fund shall be drawn upon for the purpose of paying the principal
17 of and interest and redemption premium, if any, on the bonds, and the
18 bonds do not constitute a general obligation of the state.

19 Sec. 44.82.091. BOND TERMS. (a) The bonds shall be sold in the
20 amounts or series and at the time or times determined by the committee.
21 Before selling a series of bonds, the committee shall give notice
22 inviting sealed bids in the manner it may prescribe. If satisfactory
23 bids are received, the bonds offered for sale shall be awarded to the
24 highest responsible bidder. If the committee determines that the bids
25 received are not satisfactory as to price or responsibility of the
26 bidders, it may reject all bids received. The bonds, or each series of
27 them, shall be sold at such a price that the effective interest rate
28 over the life of the bonds does not exceed 10 percent a year. Interest
29 shall be payable annually or semiannually.

Lowest
interest cost

1 (b) The bonds shall mature at the time or times fixed by the
2 committee. The bonds may be subject to redemption before their fixed
3 maturities as determined by the committee and with the premium or pre-
4 miums fixed by the committee, but a bond may not be subject to re-
5 demption before its fixed maturity date unless the right to redeem that
6 bond is expressly mentioned on the face of the bond. The bonds may be
7 in denominations determined by the committee; may be issued in coupon
8 form or in fully registered form, and may be registrable as to principal
9 or both principal and interest, all under the regulations and conditions
10 the committee provides. The bonds shall be payable as to principal and
11 interest at a place or places determined by the committee; shall be
12 signed on behalf of the state by the governor; and shall be attested by
13 the lieutenant governor. Both of the signatures may be facsimile sig-
14 natures, and the bonds shall have the seal of the state impressed,
15 printed, or lithographed on them. Each of the interest coupons attached
16 to the bonds shall be signed by the facsimile signatures of the governor
17 and lieutenant governor. The bonds shall be issued under and subject
18 to the terms, conditions, and covenants providing for payment of the
19 principal of them and interest on them and other terms, conditions,
20 covenants, and protective features safeguarding the payment that relate
21 to the maintenance, operation, and improvement of the gas conditioning
22 plant and that are found necessary by the committee. The covenants may
23 include a provision requiring the setting aside and maintenance of
24 reserves to secure the payment of principal of and interest on the
25 bonds.

26 (c) If found reasonably necessary, the committee may select a
27 trustee or trustees for the holders of the bonds or any series of them,
28 for the safeguarding and disbursement of money in a fund created by
29 AS 44.82.085 - 44.82.089, or for duties relating to authentication,

1 delivery, and registration of the bonds as determined by the committee.
2 The committee shall fix the powers and duties of the trustee or trustees.

3 (d) In its determination of matters relating to the issuance and
4 sale of the bonds and the fixing of the maturities, terms, conditions,
5 and covenants of them as provided in (a), (b) and (c) of this section,
6 the decisions of the committee shall be those found to be reasonably
7 necessary for the best interests of the state and its inhabitants, and
8 those which will accomplish the most advantageous sale of the bonds,
9 with due regard to necessary or normal costs of renewals and replace-
10 ments of and repairs to the gas conditioning plant and to improvements
11 to it, the facilities which are owned, used, operated, or leased in
12 connection with it, and the future growth and expansion of the gas
13 conditioning plant and all of its facilities. These decisions of the
14 committee, as expressed in a bond resolution, are final and conclusive
15 when bonds have been issued in accordance with the bond resolution.

16 (e) A bond resolution may provide that the bonds issued shall
17 contain a recital that they are issued under this chapter, and bonds
18 containing this recital shall be conclusively considered to be valid
19 and to have been issued in conformity with this chapter.

20 (f) The validity of the authorization and issuance of bonds is
21 not affected by proceedings for the acquisition or construction of the
22 improvement of facilities for which the bonds have been issued, or by
23 any contracts in connection with the acquisition or construction.

24 Sec. 44.82.093. BOND RESOLUTION. The committee shall adopt the
25 bond resolution and prepare all other documents necessary for the
26 issuance, sale, and delivery of the bonds or any part or series of
27 them. The bond resolution shall fix the principal amount, denomination,
28 date, maturities, place or places of payment, rights of redemption, if
29 any, terms, form, conditions, and covenants of the bonds or each series

1 of them. The committee shall also determine and provide for the date
2 and manner of sale of the bonds, and shall provide whether the notice
3 of sale is to be published elsewhere in addition to the publication re-
4 quired by AS 44.82.091.

5 Sec. 44.82.095. ENFORCEMENT BY HOLDER. The holder of bonds or
6 the trustee for the holders of the bonds or any series of them may by
7 appropriate proceedings in the courts of record of the state, require
8 and compel the transfer, setting aside, and payment of money and the
9 enforcement of all of the terms, conditions, and covenants as required
10 and provided in this chapter and in the bond resolution.

11 Sec. 44.82.097. AMOUNTS REQUIRED FOR PAYMENTS. The committee
12 shall, before December 31 of each year, beginning with the year in
13 which the bonds are issued, certify to the commissioners of revenue and
14 natural resources the amounts required in the next calendar year by the
15 bond resolution or resolutions to be paid out of the revenue fund into
16 the bond redemption fund and to be paid into and maintained in any
17 reserve fund or account or any other fund or account created by the
18 bond resolution or resolutions, and shall also certify to the commis-
19 sioners the last date or dates upon which payments may be made.

20 Sec. 44.82.099. BOND NEGOTIABILITY. The bonds and the coupons
21 attached to them are fully negotiable instruments under the laws of the
22 state.

23 Sec. 44.82.101. LIMITATION ON ISSUANCE OF BONDS. Bonds may not
24 be authorized or sold under this chapter until a site determined under
25 AS 31.35.010 - 31.35.040 has been approved by the legislature by law.

26 Sec. 44.82.103. REFUNDING. (a) The bonds or any part of them
27 may be refunded at or before their maturity by the issuance of refunding
28 revenue bonds of the state if, in the opinion of the committee, refund-
29 ing is advantageous to and in the best interests of the state and its

1 inhabitants.

2 (b) The issuance of refunding bonds need not be authorized by the
3 legislature, and the committee is authorized and directed to adopt the
4 resolution or resolutions and prepare all other documents and pro-
5 ceedings necessary for the issuance, exchange or sale, and delivery of
6 the bonds. The provisions of this chapter applicable to revenue bonds
7 apply to refunding bonds and to the issuance, sale, or exchange of
8 them, except as otherwise provided in this section.

9 (c) Refunding bonds may be issued in a principal amount sufficient
10 to provide funds for the payment of all bonds to be refunded by them,
11 and, in addition, for the payment of all expenses incident to the call-
12 ing, retiring, or paying of the outstanding bonds, and the issuance of
13 the refunding bonds. These expenses include the difference in amount
14 between the par value of the refunding bonds and any amount less than
15 par for which the refunding bonds are sold, any amount necessary to be
16 made available for the payment of interest upon the refunding bonds
17 from the date of sale of them to the date of payment of the bonds to be
18 refunded or to the date upon which the bonds to be refunded will be
19 paid pursuant to the call of them or agreement with the holders of
20 them, and the premium, if any, necessary to be paid in order to call or
21 retire the outstanding bonds and the interest accruing on them to the
22 date of the call or retirement.

23 * Sec. 4. AS 44.82.160 is repealed and reenacted to read:

24 Sec. 44.82.160. BONDS AS LEGAL INVESTMENTS. The bonds are legal
25 investments for all banks, trust companies, savings banks, savings and
26 loan associations and other persons carrying on a banking business, all
27 insurance companies and other persons carrying on an insurance business,
28 and all executors, administrators, trustees, and other fiduciaries.
29 The bonds may be accepted as security for deposits of all funds of the

1 state and its political subdivisions.

2 * Sec. 5. AS 44.82 is amended by adding a new section to read:

3 Sec. 44.82.195. STATUTORY CONSTRUCTION. The provisions of this
4 chapter shall be liberally construed to carry out the purposes for
5 which they were enacted, and all existing laws in conflict with any of
6 these sections are superseded insofar as necessary to accomplish the
7 purposes of and carry out the provisions of these sections.

8 * Sec. 6. AS 44.82.200(1) is repealed and reenacted to read:

9 (1) "authority" means the Alaska Natural Gas Industrial
10 Development Authority, established under this chapter;

11 * Sec. 7. AS 44.82.200(2) is repealed and reenacted to read:

12 (2) "bonds" means the gas conditioning plant revenue bonds
13 authorized by this chapter;

14 * Sec. 8. AS 44.82.200(4) is repealed and reenacted to read:

15 (4) "project" means the acquisition, equipping, construction,
16 and installation of additions and improvements to a gas conditioning
17 plant and related facilities;

18 * Sec. 9. AS 44.82.200 is amended by adding new paragraphs to read:

19 (9) "bond redemption fund" means the gas conditioning plant
20 revenue bond redemption fund created by AS 44.82.089, including any
21 accounts which are created in that fund after the effective date of
22 this Act;

23 (10) "bond resolution" means the resolution or resolutions
24 authorizing the issuance of bonds, adopted by the committee under
25 AS 44.82.093;

26 (11) "committee" means the state bond committee created by
27 AS 37.15.110, or any other committee, body, department, or officer of
28 the state which or who succeeds to the rights, powers, duties, and
29 obligations of the state bond committee by Act of the legislature;

1 (12) "construction fund" means the gas conditioning plant
2 construction fund created by AS 44.82.085;

3 (13) "gas conditioning plant" or "plant" means the facility
4 designed to remove water, carbon dioxide, gas liquids, and other by-
5 products and impurities from the natural gas produced from the Prudhoe
6 Bay oil and gas production unit and other oil and gas production units
7 or wells, if any, in the vicinity of Prudhoe Bay; and

8 (14) "revenue fund" means the gas conditioning plant revenue
9 fund created by AS 44.82.087.

10 * Sec. 10. AS 37.15 is amended by adding a new section to read:

11 ARTICLE 4. NATURAL GAS CONDITIONING PLANT REVENUE BONDS.

12 Sec. 37.15.600. BOND AUTHORIZATION. The issuance and sale of
13 revenue bonds of the state in the total principal sum of not more than
14 \$2,000,000,000 are authorized to provide money to acquire, construct,
15 equip, and install additions and improvements to the gas conditioning
16 plant authorized in AS 31.35.010. The principal of and interest on
17 these bonds shall be paid out of and secured by the gross revenues
18 derived by the state from the ownership, lease, use, and operation of
19 the gas conditioning plant, and of all the facilities associated with
20 it and out of other revenues or money which the state legislature may
21 provide (except for a state tax or license).

22 * Sec. 11. AS 31. is amended by adding a new chapter to read:

23 CHAPTER 35. NATURAL GAS CONDITIONING PLANT.

24 Sec. 31.35.010. GAS CONDITIONING PLANT. (a) The state is autho-
25 rized to acquire, construct, equip, and install additions and improve-
26 ments to the gas conditioning plant and any facilities associated with
27 it.

28 (b) The commissioner of transportation and public facilities has the
29 responsibility to design and construct the plant and improvements to it.

Design & Dev't Board has done?

*all objectives
greater benefit
to the state*

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Sec. 31.35.020. LOCATION OF GAS CONDITIONING PLANT. The location of the gas conditioning plant shall be determined, after public hearings, by the Alaska Royalty, Oil and Gas Development Advisory Board (AS 38.06). 7

What criteria?

Sec. 31.35.030. LEASE AND OPERATION OF GAS CONDITIONING PLANT. After the bonds authorized under AS 37.15.600 have been sold, the ~~commissioner of natural resources~~ ^{operator} shall lease the gas conditioning plant, by competitive bid, to a qualified operator. 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 of natural resources. The minimum acceptable bid must be sufficient to pay the debt service on the bonds issued under this chapter and to provide the state with a reasonable return on its investment.

Sec. 31.35.040. DEFINITION. In this chapter, "gas conditioning plant" or "plant" means the facility designed to remove water, carbon dioxide, gas liquids, and other by-products and impurities from the natural gas produced from the Prudhoe Bay oil and gas production unit and other oil and gas production units or wells, if any, in the vicinity of Prudhoe Bay to be constructed by the Alaska Natural Gas Industrial Development Authority under AS 44.82.

* Sec. 12. AS 39.25.110(21) is repealed and reenacted to read:

(21) employees of the Alaska Natural Gas Industrial Development Authority;

* Sec. 13. The following laws are repealed: AS 44.82.090, 44.82.100, 44.82.110, 44.82.170, 44.82.200(3) and (5) - (8); and sec. 1, ch. 90, SIA 1978.