

SJR

5

Senator Vic Fischer

Alaska State Legislature
Pouch V • Juneau, Alaska 99811 • (907) 465-4954



MEMORANDUM

TO: Members, Senate Finance Committee
FROM: Senator Vic Fischer
DATE: April 22, 1983
SUBJ: State CZM Budget and Federal OCS
Revenue Sharing

Concerned about potential effects of pending coastal zone management program cuts on prospective federal-state-local sharing of outer continental revenue sharing, I asked the state's Washington office to check into the matter. The response is attached.

The way things look now, the state stands to receive \$20-40 million under pending legislation. Between 50 and 90 percent of these funds, or \$10 to \$36 million, would depend on maintaining federal approval of Alaska's Coastal Management Program (ACMP).

At least 30 percent of the state's share must be passed through to local coastal communities. Loss of federal approval of ACMP could cost these communities between \$3 and \$12 million.

There are several factors which determine maintaining federal approvability. Among the more substantial ones are: maintaining an Office of Coastal Management (OCM) and a Coordinator for OCM (or changing the Alaska Statute which requires this); providing adequate and visible support for the Alaska Coastal Policy Council; ensuring that State agency actions in the State's coastal areas are processed uniformly and are consistent with the ACMP; maintaining a single contact entity (or process) to perform the federal consistency function; and continuing progress in the development and approval of local programs. Of course, state budgetary actions are one way to measure the state's performance and commitment in these areas, particularly if existing federal grant funds are used to pay for some or all of these tasks.

I suggest that we take another look at page 111 in the DC&RA budget and make sure the state and communities don't lose millions of dollars in the long run by cutting out Coastal Policy Council staff and administrative support.

cc: Representative Al Adams, Chairman House Finance

Attachments

AGO 886921 +

Bill aimed at sharing feds' profits

Coastal states would benefit from offshore oil development

WASHINGTON (AP) — Legislation requiring the federal government to share its revenues from oil and gas development on the outer continental shelf with coastal states was approved by the Senate Commerce Committee today.

Under the bill introduced by Sens. Ted Stevens and Frank Murkowski of Alaska, 5 percent of such federal revenues would be earmarked for sharing with coastal states.

Before approving the bill, the committee placed a 15 percent limit on the amount of funds any one state could receive from the total amount of federal money distributed.

Thirty percent of the amount each state received would have to go to local coastal communities most affected by offshore oil and gas development.

Stevens said the provision was necessary to assure local com-

munities that they will receive a portion of revenues from offshore development.

"Offshore development will continue to be delayed by lawsuits until the local people most affected are assured that they will have the funds to help offset the impact of this development," Stevens said.

"I would love to have members of this committee come to my state. You'd see communities where there are no roads, no docks, no facilities to handle population increases, and yet these villages could be 50 miles from one of the largest offshore petroleum deposits in the world."

Under current law, the federal government retains all revenues received from offshore hydrocarbon activities, although it does share revenues from mineral extraction on onshore federal lands.

The Stevens-Murkowski bill would allow the states to use the federal revenues for fisheries and ocean research, coastal management and conservation, roads, schools, ports and other facilities to support offshore development.

Alaska State Legislature

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Senate

Committee on Resources

TO: Senate Resources Committee Members

FROM: Senate Resources Committee Staff

RE: SJR 5, Relating to revenue sharing from Outer Continental Shelf oil and gas development.

DATE: April 26, 1983

The prospects of new federal legislation governing revenue sharing from development of the Outer Continental Shelf seem bright at the present time. The principal persons dealing with this issue, Senator Stevens and Senator Hollings of South Carolina, have reached a tentative agreement on this issue. This agreement would provide that 30% of the state's share of OCS revenue would be a direct pass-through to local governments. The State of Alaska would receive between \$20-40 million depending on the total revenue generated under outer continental oil and gas development.

SJR 5 expresses the support of the Legislature for the direct pass-through funding system and for the direct use of these funds by the local governmental unit. The Department of Community and Regional Affairs has expressed support for this concept (see position paper dated February 4, 1983).



STATE OF ALASKA
OFFICE OF THE GOVERNOR
WASHINGTON, D. C.

March 23, 1983

TO: THE HONORABLE BILL SHEFFIELD
Governor of the State of Alaska

THROUGH: ^{J.K.} JOHN W. KATZ
Director State/Federal Relations
& Special Counsel to the Governor

FROM: ^{Bill Ross} BILL ROSS
Policy Analyst

SUBJECT: Informational Paper on OCS-Revenue Sharing

On March 11, 1983 Senator Stevens and Murkowski introduced S.800 a bill which would share a small portion of federal Outer Continental Shelf oil and gas revenues with coastal states and territories. Although legislation such as this faces a rough and uncertain road to final enactment, the introduction of S.800 is a major step forward.

The salient features of S.800 are:

- (1) 5% of all OCS bonus and royalty revenues are to be shared in the form of block grants with coastal states and territories starting in federal FY 84. (Estimated total amount of grants is \$500 million yearly.)
- (2) All coastal states are to share in the revenues - including the Great Lakes states.
- (3) The Fund is not subject to the annual appropriation process - all proceeds are to be shared directly with states yearly.
- (4) Each state's share is determined by this formula:
 - (A) 1.5% off the top to each state with a federally approved Coastal Zone Management Program. (Alaska's was approved in 1979.)
 - (B) The remaining funds (about 65%) are distributed accordingly - 50% oil and gas impact=
 - 25% actual production
 - 25% leasing activity
 - 35% coastal population / Only states with
 - 15% coastal population / approved CZM programseligible for these funds.

There is a sliding scale, "progressive" cap on any one state's share of the Fund. Alaska's share is reduced by about 1% of the Fund by this cap, to 8% of the fund or \$40 million yearly.

- (5) States must submit reports specifying the planned use of the funds. Some money must be spent in each of the following categories, with states determining the actual amounts:

- (A) living marine resources, including fisheries;
 - (B) coastal management planning and implementation;
 - (C) assessment and mitigation of OCS impact;
 - (D) long range coastal and ocean research and education;
and
 - (E) coastal infrastructure necessitated by OCS activity.
- (6) At least 40% of any state's block grant must be provided to local coastal governments.
- (7) States are subject to a post-grant audit to ensure funds are spent properly.
- (8) A "National Coastal Resources Research and Development Institute" is established in Oregon and will receive 1% of the fund.

Hearings were held Thursday, March 17, in an attempt to move the bill quickly. Senator Hollings (D) (S.C.) introduced his bill on March 22. The delay of Hollings' introduction has introduced confusion and a regrettable sense of partisan politics into this affair. Ability to work out differences quickly will be critical if OCS revenue sharing is to have a chance this year in the Senate. The major differences are that Hollings wants the amount to be granted to States from the fund to undergo the annual appropriations process (#3 above), and he would set specific percentages of a state's share (earmarking) that would have to be spent on eligible activities or uses (#5 above), such as coastal zone management. The latter issue is particularly contentious, since earmarking is what the Administration grumbles most loudly about while testifying against OCS revenue sharing.

This office has been working closely with Senate staff and the Coastal States Organization (CSO) to move the legislation forward. CSO testified March 17 on behalf of all States. They endorsed the concept of OCS revenue sharing, and urged quick action, thus skirting the potential partisan battle on the bills. We work behind the scenes, offering compromise language and setting strategy which can resolve differences. Our efforts are widely acknowledged as being the catalyst which sparks productive action on this issue.

The House has completed its hearings on H.R.5, which is identical to the bill which passed the House 261-134 last session. The House bill has a smaller total fund, does go through the appropriations process and does earmark funds. H.R.5 will be marked up soon, and will probably be brought to the House floor in May. We are in close contact with House staff, in anticipation of an eventual House-Senate conference on the legislation.

If you have additional questions or concerns, please contact me.

cc: Commissioner Lewis
Lennie Boston
Pete Spivey

AGO 886925

BILL SHEFFIELD
GOVERNOR



STATE OF ALASKA
OFFICE OF THE GOVERNOR
WASHINGTON, D. C.

April 21, 1983

LEGISLATIVE BRIEFING MEMORANDUM

TO: THE HONORABLE VIC FISCHER
Alaska State Legislature

FROM: *Bill Ross*
BILL ROSS
Associate Director

You have requested information regarding the status of pending federal legislation which would share a portion of Outer Continental Shelf Oil and gas receipts with coastal states, including Alaska. While it is too early to accurately predict final Congressional action (and a possible veto by the President due to the legislation's fiscal impact cannot be ruled out), the legislation is moving forward quickly through each House of the Congress. The Senate Commerce Committee completed markup today on its bill, S.800, and it has strong bi-partisan support. The House Merchant Marine and Fisheries Committee will complete markup on its version, H.R.5, next week, and it, too, is a bill that is supported strongly by both Democrats and Republicans.

I anticipate that full floor action by each House will occur in May. The conference to resolve differences would then happen in June; hopefully a bill will be on the President's before the July recess.

You have also inquired what the effect of maintaining federal approval of Alaska's Coastal Management Program (ACMP) would have on Alaska's share of OCS revenue sharing funds. I will give you broad estimates, since there are differences between S.800 and H.R.5, but you can use these ranges with certainty as the Legislature reviews the performance and annual budget of ACMP. Alaska will receive between \$20 and \$40 million annually if OCS revenue sharing is enacted into law. Between 50% - 90% of these funds (i.e., between \$10 and \$36 million) will be dependent upon maintaining a federally approved ACMP. Put another way, if the ACMP loses federal approval, Alaska's share of OCS revenue sharing funds would decrease by 50-90%.

At least 30% of the State's share must be passed through to local coastal communities. Thus, loss of federal approval for the ACMP

AGO 886926 +

will cost local communities at least \$3 million (30% of 10 million) and up to \$12 million (30% of \$36 million) annually.

There are several factors which determine maintaining federal approvability. Among the more substantial ones are: maintaining an Office of Coastal Management (OCM) and a Coordinator on for OCM (or changing the Alaska Statute which require this); providing adequate and visible support for the Alaska Coastal Policy Council; ensuring that State agency actions in the State's coastal areas are processed uniformly and are consistent with the ACMP; maintaining a single contact entity (or process) to perform the federal consistency function; and continuing progress in the development and approval of local programs. Of course, State budgetary actions are one way to measure the State's performance and commitment in these areas, particularly if existing federal grant funds are used to pay for some or all of these tasks.

I hope that this answers your inquiry. Do not hesitate to contact me if you have any additional questions or concerns.

cc: JOHN KATZ
JAY HOGAN



Official Business

Alaska State Legislature

Senate

Pouch V
State Capitol
Juneau, Alaska 99811

M E M O R A N D U M

TO: Senator Josephson
FROM: Senator Ferguson *[Signature]*
DATE: February 27, 1984
SUBJ: Senate Joint Resolution 5

Attached is a proposed amendment to CS for SJR 5 (Resources). I intended the original resolution to show legislative concern that OCS revenue sharing monies be distributed to communities which are most impacted by OCS development. The proposed language changes which are attached were suggested by the Governor's Office to bring SJR 5 in line with HR 5 which is pending action in Congress.

Also attached is additional back-up material.

AGO 886928

SENATE AMENDMENT

By _____

To: CS _____ SENATE ~~Bill No.~~ Joint Resolution No. _____

To: _____ HOUSE BILL No. _____

PAGE: 1 LINE: 28-29

Delete the Be it Resolved clause, and insert with new language as follows:

"BE IT RESOLVED the the Thirteenth Alaska State Legislature supports legislation in the 98th Congress that would share federal revenues from Outer Continental Shelf oil and gas activity with coastal states, ensuring that adequate revenues are available for local government units impacted by Outer Continental Shelf development."

On page 2, line 2, after "the", insert "Honorable Ronald Reagan, President of the United States;"

On page 2, after "Congress" insert "and Mr. William Clark, Secretary of the Interior."

STATE OF ALASKA
STATE OF ALASKA

Bill Sheffield, Governor

DEPT. OF COMMUNITY & REGIONAL AFFAIRS

OFFICE OF THE COMMISSIONER

POUCH B
JUNEAU, ALASKA 99811
PHONE: (907) 465-4700

February 4, 1983

POSITION PAPER

RE: SJR 5

SPONSOR: Senator Ferguson

Program Effect of Bill

Supports the provision of federal pass-through funds derived from Outer Continental Shelf revenues to communities impacted by OCS activities.

Comments

The Department supports this effort to make federal OCS revenues available to local government units that are or will be experiencing impacts as a result of OCS lease sales.

These funds are doubly important with the demise of the Coastal Energy Impact Program.



AGO 886930

THE FOLLOWING DOCUMENT(S) MAY NOT FILM
LEGIBLY BECAUSE OF POOR QUALITY OF THE
ORIGINAL.

January 28, 1983

TO: SENATOR FRANK PETERSON

Attn: Mike Scott

FROM: David W. Freer

SUBJECT: Justification in Support of SJR 5, "Relating to Revenue Sharing from OCS Oil & Gas Development"

The issue of sharing revenue with Coastal states from OCS development has been before the Congress for several years. The traditional approach to sharing revenue has been along the lines of other long time federal revenue sharing programs; that is, return it to the state(s) and let them determine how to spend it.

However, there is a growing body of opinion that when sharing revenue as a result of OCS development that the affected local communities should directly benefit from the impacts, if any, deriving from the development and not have the state act as the administrator of the funds. There are six reasons for this approach:

1. Local governments are best able to determine the impacts and the needs deriving from these impacts.
2. Local governments are far more sophisticated and equipped with educated and trained personnel to handle such a revenue sharing program.
3. OCS impacted areas need the revenue sharing dollars for increased goods and services, not planning and studies. All too often, states fall into the habit of using revenue sharing for purposes other than that most necessary - assist the people most directly in need of services.
4. The current 5-year OCS program offshore Alaska will affect rural Alaskans the greatest - as a consequence, they will need the ~~ability~~ ^{flexibility} to have federally generated OCS revenue sharing funds directly at their disposal so they can meet the changes as a result of the development of an OCS area adjacent to their community.

AGO 886931

Senator Frank Ferguson
January 20, 1983
Page Two

5. There currently is pending before the Congress OCS revenue sharing bill: H.R. 5, "To Establish an Ocean and Coastal Resources Management and Development Fund from which Coastal States shall receive block grants." This bill does not allow for funds to be directly passed through to local government units. Instead, Sec. 5(c) states: "Each Coastal State shall be encouraged to provide financial assistance under this title to units of local government within each state." Such discretionary authority certainly does not enhance the opportunity for local government units to receive necessary funds.
6. The Congress needs the message from Alaska, the State with the highest number of OCS lease sales scheduled over the next 5 years (16) that any OCS revenue sharing bill must incorporate language for direct passthrough. Without it, areas along the Alaska coastline, which may bear the brunt of OCS development may not have the resources to cope with those associated impacts.

THE PRECEDING DOCUMENT(S) MAY NOT FILM
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ORIGINAL.

RESOLUTION OF THE ALASKA MUNICIPAL LEAGUE

A RESOLUTION SUPPORTING OUTER
CONTINENTAL SHELF REVENUE SHARING

WHEREAS, the United States House of Representatives has passed legislation and the U. S. Senate is now considering legislation establishing a program of revenue sharing from development of the Outer Continental Shelf (OCS), and

WHEREAS, a significant number of OCS lease sales over the next five years are to occur offshore Alaska, and

WHEREAS, the development of oil and gas resources in the OCS offshore Alaska will cause economic, social, and cultural impact to Alaska's citizens, and

WHEREAS, people residing in local governments in Alaska are best able to determine the impact of OCS oil and gas development on their communities, and

WHEREAS, these local governments have the expertise and ability to monitor and expend revenue for their impacted communities, and

WHEREAS, the state should be required to consult with local governments on the distribution of OCS revenue sharing, with funds passed through directly to those affected areas and not tied to existing state and federal programs and regulations;

NOW, THEREFORE, BE IT RESOLVED:

That the League supports legislation in the 98th Congress to allocate revenue for local governments impacted by OCS development.

BE IT FURTHER RESOLVED:

That the League appreciates the efforts of Senator Ted Stevens, Senator Frank Murkowski, and Representative Don Young and urges them to continue their work to have the OCS Revenue Sharing program enacted by the U.S. Congress this year.

Adopted the 5th day of November, 1983.

STATE OF ALASKA
PRELIMINARY STATEMENT OF FISCAL IMPACT

Bill No: SJR 5 Date on Bill: 1/18/83
Title: Revenue Sharing/Outer Continental Shelf/Oil Gas
Sponsor: Ferguson
Requestor: Senate Community & Regional Affairs Committee

1. Estimated fiscal impacts on: Department of Community & Regional Affairs

a. Expenditures:

(Thousands of Dollars)

	FY 83	FY 84	FY 85	FY 86
Capital		-0-	-0-	-0-
Operating		-0-	-0-	-0-
Total		-0-	-0-	-0-

b. Revenues:

Revenue							

2. Source of funds to offset fiscal impact of bill:

3. Assumptions: The passage of this resolution does not affect any State of Alaska programs. The resolution addresses pending federal legislation.
No fiscal impact.

4. Disclaimer:

This statement has not been reviewed by the OMB in the Office of the Governor. It does not represent the policy of the Sheffield Administration or the final estimate of fiscal impact.

Prepared By: Richard Rainery *RR*
Division: Commissioner's Office

Phone: 465-4703
Date: 2/10/83

Approved by Commissioner: *W. H. ...*
Department: Community & Regional Affairs

Date: 2/18/83

5. Distribution:

- Original to Legislative Finance
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